UNIVERSITY OF PENNSYLVANIA

EVOLUTION OF THE PUBLIC SCHOOL BONDED DEBT OF PENNSYLVANIA

ISAAC DOUGHTON

A THESIS

PRESENTED TO THE FACULTY OF THE GRADUATE SCHOOL IN
PARTIAL FULFILLMENT OF THE REQUIREMENTS FOR
THE DEGREE OF DOCTOR OF PHILOSOPHY

PHILADELPHIA
1925

EVOLUTION OF THE PUBLIC SCHOOL BONDED DEBT OF PENNSYLVANIA

A THESIS

PRESENTED TO THE FACULTY OF THE GRADUATE SCHOOL OF THE
UNIVERSITY OF PENNSYLVANIA IN PARTIAL FULFILLMENT
OF THE REQUIREMENTS FOR THE DEGREE
OF DOCTOR OF PHILOSOPHY

ISAAC DOUGHTON

PHILADELPHIA
1925

R. UNIV.
BIBLIOTHEEK
LEIDEN

FOREWORD

The accomplishment of such an investigation as this has been possible only through the kind assistance and co-operation of many friends of the author. He especially records his indebtedness to Dr. Harlan Updegraff, now President of Cornell College, Mount Vernon, Iowa, to whose wise guidance many graduate students of the University of Pennsylvania owe their success; to Dr. L. A. King of the University of Pennsylvania and his Seminar in Educational Administration for much valuable suggestion and criticism; and to the staff of the Biddle Law Library of the University of Pennsylvania for much necessary assistance to one unversed in legal lore. He is also obligated to C. H. Howell, Esq., of Phoenixville, Pa., for free use of his full collection of the Session Laws of the State of Pennsylvania. For the recent and as yet unpublished statistical data he is deeply indebted for courteous co-operation to the Administration Bureau of the Department of Public Instruction of Pennsylvania.

Digitized by the Internet Archive
in 2026

https://archive.org/details/IA41547328_0005

CONTENTS

PAGE

Foreword 3

I

Introduction 9

II

Legal Status of School Districts in Pennsylvania 16

III

Legal Provisions for Financing Capital Outlays in Pennsylvania 33

IV

Satistical Study of Capital Outlays and Debt Service of School Districts in Pennsylvania from 1854 to 1920 55

V

The Public School Bonded Debt of Pennsylvania 1919–1923 69

VI

Suggested Changes in the Policy and Laws of Pennsylvania Regarding School Bonded Debt 100

VII

Conclusions and Recommendations 113

Bibliography 119

INDEX

(a) Acts of Assembly Cited 122
(b) Cases Cited 122
(c) General Index 123

LIST OF TABLES

		PAGE
I.	Classification of School Districts, 1922–23	18
II.	Time Limits Set by Special Loan Acts, 1854–1873	43
III.	Statement of the School System since Its Establishment under the Present Law (not including Philadelphia). (Abridged)	57
IV.	Average Annual Cost of Buildings, etc., by Four-Year Periods, 1857–1920	59
V.	Average Tax Rates by Four-Year Periods, 1857–1920	61
VI.	Distribution of Total Income of School Districts, (not Including Balances,) 1919–20 to 1923–24	64
VII.	Percentage Distribution of Income of School Districts (not including Balances), 1919–20 to 1923–24	64
VIII.	Average Annual Differences Between Total Receipts except State Appropriations and Taxes Levied, Averaged for Four-Year Periods from 1857 to 1920	66
IX.	Amount of Bonds Outstanding, Balance in Sinking Funds, and Net Bonded Indebtedness of School Districts at Close of Fiscal Years from 1919–20 to 1922–23	70
X.	Net Bonded Debt for Public Schools, Showing Per Capita Debt According to Estimated Population, Ratio of Debt to Assessed Value of Real Property, and Per Pupil Debt According to Number of Pupils Attending in 1919–20 to 1922–23	72
XI.	Thirty-four States Ranked in Order of Per Capita Net Debt, 1921-1922	74
XII.	Thirty-four States Ranked in Order of Per Pupil Net Debt, 1921-1922	75
XIII.	Amount of Bonds Outstanding, Balance in Sinking Funds, and Net Bonded Debt of School Districts by Classes of Districts, at Close of Fiscal Years 1919–20 to 1922–23	76
XIV.	Estimated Population, Net Bonded Debt, and Per Capita Net Bonded Debt by Counties, July 1, 1922	80
XV.	The Counties Ranked on the Basis of Net Debt Per Capita, Per Pupil in Average Daily Attendance, and Ratio of Net Debt to Assessed Valuation, July 1, 1922	83
XVI.	Cities, Boroughs and Townships Within Twelve Selected Counties, Showing the Total Number and the Number Reporting Debt	87
XVII	Indebtedness, Assessed Valuation, and Average Daily Attendance of Districts in Twelve Selected Counties, with Per Pupil Debt and Ratio of Net Debt to Assessed Valuation, July 1, 1922.	88

LIST OF CHARTS

I. Growth of Average Annual Cost of Buildings, Etc., 1857–1920.. 60

II. Progress of Tax Rates, Averaged for Four-Year Periods, 1857–1920 62

III. Proportion of Each Dollar of Income from Each Source, 1919–20 to 1923–24 64

IV. Growth of Average Annual Differences Between Total Receipts except State Appropriations and Taxes Levied, Averaged for Four-Year Periods, 1857–1920 67

V. Progress of Net Bonded Debt, Per Capita Net Debt, Ratio of Net Debt to Assessed Valuation, and Net Debt per Pupil, 1919–20 to 1922–23 73

VI. Distribution of Bonded Indebtedness by Counties, July 1, 1922.. 86

School Debt of Pennsylvania

CHAPTER I

INTRODUCTION

The indebtedness of federal, state, and local governments has become a matter of serious study by students of finance and administration in all fields. This is especially true of local or municipal governmental units. Except for the vast amount of borrowing on the part of the federal government made necessary by the World War, municipal borrowing has been most rapid in its increase. From 1903 to 1922, according to the Census Bureau, the per capita debt of 146 selected cities increased from $66.88 to $143.71.[1]

Of the municipal debt, that incurred by school districts has assumed especially large proportions in recent years. Cubberley, writing in 1910 in the "Cyclopaedia of Education," says, "Compared with other forms of debt, this [*i. e.* bonded indebtedness for schools,] is small in amount, but it has increased faster than the municipal or the state debt during the past two decades." In the "Foreword" to the report on "The Public School Debt of Illinois," recently published by the "Educational Finance Inquiry Commission," is the following statement: "If we except indebtedness incurred on account of water systems and similar public welfare enterprises, which are constructed on an industrial basis with a fixed income other than that derived from taxation, the public school debt is ordinarily the largest element of the municipal debt."[2] The latest statistical report of the Bureau of Education gives the total for 1921–22 of school bonds outstanding and other forms of indebtedness for the continental United States as $967,503,230.[3] It is not possible to tell from the reports how much of this total is fixed or bonded debt, or

[1] "Financial Statistics of Cities," 1922, p. 51.

[2] "Public School Debt of Illinois," p. VII.

[3] "Statistics of State School Systems, 1921–22"; Bureau of Education, Bulletin 1924, No. 31, p. 19.

how much is temporary debt, but probably by far the major portion of it is bonded debt. This total is a figure that may well command attention.

The net bonded debt of the public schools of Pennsylvania in the year 1922–23 was reported as $109,801,166. Spread over the State as a whole, this represented a net bonded debt per capita of $12.06, and per pupil in average daily attendance of $85.99, and the ratio of this net bonded debt to the assessed valuation of the taxable property for school purposes was .014 The net bonded debt increased in three years from 1919–20 to 1922–23 a total of $38,801,987, or 55 per cent. This debt is almost half the total value placed upon the school sites and buildings of the State. So large an obligation warrants study to determine how rapidly it is growing, how and to what degree it is concentrated or spread among the school districts of the State, what may be the practices of local districts with reference to the incurrence and payment of debt, and what may be the proper function of the State government in the matter of local indebtedness for schools.

No such state study, to the writer's knowledge, had been undertaken before the recently published report on the "Public School Debt of Illinois," mentioned above. There has been no study for the State of Pennsylvania. In the general field of school bonded debt there is considerable periodical literature; and the recent volume by Fowlkes, entitled "School Bonds," gives general principles for the guidance of Boards of Education in the issue of bonds. There is a dearth, however, of intensive studies of the actual debt situation among the school districts of the States. This study is an attempt to supply the need so far as the State of Pennsylvania is concerned.

The thoroughness of any such study is conditioned largely by the sources from which material must be gathered. In Pennsylvania there is no published material that will give accurate information as to the extent of school indebtedness prior to the reports for the year 1919–20. There has been included in the annual reports of the Department of Public Instruction from an early period down to and including the year 1919–20 a comparative statement of certain features of the school system of the

State for each year since 1854, from which it is possible to study its development. The evolution of the debt through this early period, however, can best be traced by following the course of legislation. The present Constitution of the State, adopted in 1873, forbade special legislation;[4] but before that year it was common for the legislature to enact special measures applying to particular communities or school districts. This special legislation has much to tell as to the development of debt policies and practices among the school districts of the State. The publication by the State Department of accurate statistical information regarding the school debt began with the report of 1919–20; but even since that time, the data, while more abundant and direct, are not so detailed as to permit from them an intensive study of the school district policies and practices.

In the course of this study the session laws of the State have been examined from 1800 to the present date, and careful notations made of all legislation, special or general, that bore upon financing capital outlays or upon school district indebtedness. Supplementing legislation, of course, there must be a somewhat parallel study of court decisions; and court reports have here been studied so far as they might help to throw light upon the interpretation and construction of these particular educational finance measures. The statistical reports have been searched for facts that might help to show the course of the school debt. Finally, the more detailed reports of recent years have been studied to determine what is the actual present status and distribution of the school bonded debt of the State.

The field of study is confined to the bonded debt of the public schools. The normal schools are now part of the State system, but they are not included in this study. There is a large amount of what is generally denominated temporary debt, which may be evidenced by "certificates of indebtedness," good for no longer than two years, or by notes negotiated in local banks. Of this latter debt, a large part of it is really temporary in character, due to the facts that in all but Philadelphia and Pittsburgh the fiscal year of school districts ends in the middle of the

---

[4] "Constitution of Pennsylvania," Article III, Section 7; Pennsylvania Handbook 1923-24, p. 281.

tax year, and that until very recent years the State appropriations when finally paid were invariably overdue by several months. Temporary borrowings were necessary to tide over until these receipts could be realized, and these borrowings would be reported in the annual reports, although much of them would probably be paid within the next few weeks. Part of what is called temporary debt is really fixed in character, the certificates or notes being renewed from time to time as they mature. It is not possible from the reports to tell how much of this debt is really temporary and how much is fixed. It is necessary, therefore, to confine this study to the bonded debt, except so far as the temporary debt will help to reveal the debt policies of school districts.

The study of the course of legislation shows that the major portion by far of the school debt that is bonded in character has been incurred for capital outlays. In fact, it was not until school districts in 1921 were permitted, as will appear later, to fund their temporary debts, that debts for other than capital outlays were recognized by the legislature as fundable. There are a few scattered exceptions to this statement in the period before the Constitution forbade special legislation. Fowlkes cites the "Commercial and Financial Chronicle" as authority for the statement that "over ninety-five per cent of all bonded indebtedness assumed in the United States is spent for purposes of capital outlay."[5] The situation in Pennsylvania seems to bear out this statement.

It will be an aid in tracing the development of the school debt in Pennsylvania to have in mind certain important dates and the legislation that was enacted in those years affecting the schools. The following are a few of these significant dates:

1809—First effective law for the education of poor children at public expense.[6]

1834—First free public school law. It was left optional with school districts whether or not to establish schools.

---

[5] Fowlkes, J. G.: "School Bonds," p. 41; Bruce Publishing Co., 1924.

[6] Note: The first law was passed in 1802, but seems not to have been effective. An improved law was passed in 1804, but it seems to have lapsed in 1807.

1836—Free school law considerably revised and strengthened; but option of free schools still left with local districts.

1848—Free common schools made compulsory in every district of the State. The school law was then considerably revised in 1849.

1854—Thorough revision and codification of the school laws of the State. The law of this year remained the fundamental school law until 1911.

1873—Adoption of the present Constitution for the State.

1893—First general law authorizing establishment of high schools. Prior to this, establishment of high schools required special acts.

1911—Complete revision and codification of the school laws of the State: present "school code" adopted.

By this study it is expected to establish with reference to Pennsylvania the following principle of law:

Education has been regarded by the legislatures and by the courts as a function of the State, and local districts are merely agents of the State. As such they are limited in power, and school directors are personally liable for losses that may come through abuse of power.

The Study will also seek to establish the following facts:

1. In the early history of the State school system the policy with reference to financing capital outlays was one of "pay as you build." To assure this the State extended to school districts rather large freedom in tax power, and in some instances extended special aid to school districts to assist in building.

2. Borrowing for building began early in some districts, but the law of 1854 was the first general school law to recognize school district borrowing as a part of the policy of the State. Even then the limit set was such as to make impossible the accumulation of large debts or procrastination in paying them. Soon thereafter special acts were passed empowering certain school districts to exceed this limit, and in 1871 the courts were empowered to sanction loans within a much wider limit. In 1873 the present State constitution set the existing limits for debts very much above the limits of the law of 1854, and some-

what above the limits of the law of 1871, and gave definite encouragement to a "bond as you build" policy.

3. It was not until about 1880, however, that borrowing on a large scale appears to have been done by school districts. Since that time there seems to have been a rapid increase in that class of receipts of school districts that can be accounted for only by loans and bond sales. This increase has been notably rapid since 1893. Such evidence as there is points to a rapid increase of the school bonded debt, although there is not available statistical material that will show how large the debt had become.

4. In the school reports that have been issued since 1919–20, the bonded debt is shown to have reached a high figure and to be rapidly increasing. The debt is more highly concentrated in cities and boroughs than in townships or in rural districts generally.

5. The reports show that there are districts that have contracted temporary or bonded debt, either or both, in excess of the limits set by law.

6. There is a wide variation among districts in debt policy. There appears to be warrant for the suspicion that some districts are obligating themselves excessively, while other districts are probably not utilizing borrowing as a means of financing buildings that they need.

On the basis of these findings of law and of fact it is expected to give warrant for specific recommendations that will assure:

1. Closer supervision by the Department of Public Instruction over the debt policies of school districts, with power to compel districts to keep debts within the limits prescribed by law;

2. Centralization within the Department of Public Instruction under the Council of Education of power to approve or to disapprove petitions of school districts for authority to issue bonds, and to inspect records of school districts to see if proper steps are taken to provide funds for payment of bonds when due;

3. Stimulation by the Department of Public Instruction of districts in which a wise policy of bonded indebtedness might assure the construction of much needed buildings;

4. Amendments in the laws that will make more definite the provisions for meeting bonds when due; by making some form of serial bond standard for the State;

5. Removal of debt service from restrictions upon the tax rate, so that the limit shall be only upon the size of the debts that may be incurred and not upon the rapidity with which they may be paid; and,

6. Encouragement of all districts to regard indebtedness merely as an expedient for spreading a debt over a period of years between necessary building, and not the postponement of the debt for a building to some other generation; hence to approach as nearly as the resources of the district will permit the early "pay as you build" policy of the State.

CHAPTER II

Legal Status of School Districts in Pennsylvania

1. Definition of the School District

The school district in Pennsylvania is the local unit for the administration of schools. Its boundaries are in the main determined by the corresponding boundaries of cities, boroughs, and townships, each of which constitutes a separate school district. The law provides, however, for two special types of school districts. One of these, called "union school districts," may be formed by the union of two or more cities, boroughs, or townships. The other, called "independent school districts," may be formed under certain restricted conditions out of a portion or contiguous portions of cities, boroughs, or townships; which portions may or may not lie within the same civil unit, and may even lie within different counties. The law provides against making school district boundaries coterminous with those of cities or boroughs when the formation of or annexation to a city or borough leaves a territory only large enough for a fourth-class school district.[1]

There is no county unit of school administration in Pennsylvania. The directors of those districts within each county that do not have district superintendents meet quadrennially to elect a county superintendent, who serves as the local representative of the State for the enforcement of State laws, and whose office serves as a clearing house for reports from these districts to the State. In other respects the local districts are autonomous.[2]

Local autonomy has been characteristic of the Pennsylvania system from the beginning. In the "pauper law" of 1809, it is true, accounts of local teachers for the tuition of "children whose parents are unable to pay for their schooling" were to be settled

[1] S. C. Article I. [S. C. refers to the 1923 edition of the State School Code. If the code of any other year is ntended, the year will be indicated as "S. C. (1911)".

[2] S. C. Article XI.i]

through the county commissioners and treasurer;[3] and in the original free school law of 1834 each county was made a school division and something like a county unit of administration was attempted, in which delegates from "every ward, township or borough," which were by the act denominated school districts, were to meet annually with the county commissioners and determine how much school tax, if any, should be added to the county tax.[4] But in 1835 this law was amended to excuse from the tax those districts that voted negatively at the county convention;[5] and in 1836 the county as a school division was abandoned, and local autonomy was definitely established by the provision that "every township, borough or ward in this Commonwealth, Philadelphia excepted, . . . shall constitute a school district."[6] This remained the fundamental principle of organization for nearly twenty years, being incorporated into the law of 1849 which first made the establishment of free schools compulsory throughout the State.[7] In the law of 1854 the provision was altered so that "every township, borough and city" should constitute a school district; and ward districts then existing could continue with the addition, if desired, of a central board for the entire city or borough, or they could unite to form a single district for the city or borough.[8] There were frequent occasions when the legislature attached the lands of certain individuals to certain adjacent school districts "for school purposes only,"[9] and in 1867 this power was vested in the courts of common pleas. The law later definitely provided that boroughs when formed out of townships should not become separate school districts if the remaining portion of the township fell below ten freeholders and twenty-five school children.[10]

This type of district organization remained essentially unaltered for nearly sixty years, although there was much confusion arising

---

[3] Act of April 4, 1809, Section 2; Statutes at Large, Vol. XVIII, p. 1171.
[4] Act of April 1, 1834, Sections 1, 14, (P. L. 170).
[5] Act of April 15, 1835, Section 2, (P. L. 365).
[6] Act of June 13, 1836, Section 1, (P. L. 525)
[7] Act of April 7, 1849, Section 1, (P. L. 441).
[8] Act of May 8, 1854, Sections 1, 2, (P. L. 619).
[9] *e. g.*, Act of April 22, 1844, (P. L. 327).
[10] Act of April 15, 1867, amended April 17, 1876, (P. L. 38).

from varying provisions for the classification of cities and the consequent classification of school districts; and it was finally given its present definite form in the school Code adopted originally in 1911. In the Statistical Report for 1922–23 there are reported a total of 2603 districts classified as follows:

TABLE I[11]

CLASSIFICATION OF SCHOOL DISTRICTS, 1922–23

CLASS	POPULATION LIMITS	NO. OF DISTRICTS IN EACH CLASS				
		CITIES	BOROS	TWPS.	INDEP.	TOTAL
First	500,000 or over	2	..	..	..	2
Second	30,000 to 500,000	17	1	..	..	18
Third	5,000 to 30,000	22	128	72	2	224
Fourth	Less than 5,000	..	807	1480	72	2359
		41	936	1552	74	2603*

*Note: This number includes a few cases where districts have joined for purposes of establishing joint high schools or vocational schools. Three of these are included among districts of the third class and 14 among districts of the fourth class. The number of wholly separate school districts in the State is 2586.

This table shows something of the differences that exist among districts within each class. The population limits are wide, especially for second- and third-class districts, and it is to be expected that these districts will vary much in their problems and needs. There are, of course, wide variations in other respects as well as in population. The true valuation of taxable property will illustrate these. Philadelphia and Pittsburgh are the two districts of the first class. In the former the true assessed valuation of property in 1922 was $2,514,026,033, and in the latter it was $825,022,290. In districts of the second-class the true assessed valuation of property varied from $143,397,957 in Scranton to $24,445,875 in Norristown. In districts of the third class the variation was from $97,136,430 in Hanover Township in Luzerne County to $1,635,000 in Morris Township in Clearfield County. In Districts of the fourth class the variation was

[11] From manuscript of "Report of Department of Public Instruction," not yet published.

from $21,243,756 in Cumberland Township in Greene County to $24,900 in New Baltimore Borough in Somerset County.[12]

Classification by population alone, of course, in no way groups together districts that are equally able to support schools, as these differences in assessed valuation show. While the fundamental basis of classification has not been changed, a beginning of reclassification on a basis that combines ability to support schools as well as effort was made in 1923, by providing a sliding scale of State aid inversely proportioned to the true valuation per teacher employed in the district.[13]. This was the direct outcome of the recommendation made by Dr. Harlan Updegraff in his report to the Governor on "The Educational Finance Situation in Pennsylvania."[14] It is as yet only a modest beginning, but it recognizes what for the State is a wholly new principle of grouping school districts.

In each of these districts the schools are managed by a Board of Directors, who in districts of the first class are appointed by the courts of common pleas, and in districts of the other classes are elected at large. The Board numbers fifteen in first-class districts, nine in second-class districts, seven in third-class districts, and five in fourth-class districts. The term of office for all directors is six years, with appointments or election occurring every second year.[15] Districts of the first and second classes must and districts of the third class may each elect a district superintendent, who serves for a term of four years[16] except in first-class districts where the term may be one year.[17] There are 124 superintendents in third-class districts.[18] Third-class districts without superintendents and all fourth-class districts jointly elect the county superintendents in their respective counties for terms of four years.[19] Such district and county

---

[12] "Statistics of Public Schools, 1921–22," Table I.

[13] S. C. Section 1210, par. 19.

[14] Updegraff and King: "A Survey of the Fiscal Policies of the State of Pennsylvania in the Field of Education," Chapter II. Part II of "A Report to the Citizens' Committee on the Finances of Pennsylvania to Hon. Gifford Pinchot," December, 1922.

[15] S. C. Article II.

[16] S. C. Article XI.

[17] S. C. Section 2223.

[18] Correspondence, Department of Public Instruction.

[19] S. C. Article XI.

superintendents when elected by the directors are commissioned by the Superintendent of Public Instruction. Among their duties is that of representing the State authority and of reporting to the State office any persistent violation or neglect of certain State laws within their respective districts or counties.

2. *Relation of the School District to the State*

It is of fundamental importance in the study of local school district policies to keep in mind the relation of the local district to the State system. All local authority in our country, as is well known, is authority delegated by the State. Our schools arose as purely local institutions to meet local needs; but school authority is fundamentally not local. "It should be noted," says Cubberley, after sketching the early development of schools in America, "that the authority and power to develop have come from the State, and not, except secondarily, from the local community. This is an important point to be kept in mind. The school district, the township, the village, the city and the county are all subordinate creations of the State, erected for the purpose of better local administration."[20]

There has been for some time a growing tendency in American governmental administration toward State centralization. This has been due, says Snedden, to two factors: "the demand for efficiency on the one hand, and the growth of intelligence, means of communication and organizing ability on the other."[21] More and more the State is taking back to itself certain powers that had been previously exercised by the local communities, powers which the local communities exercised because of express delegation or implication in charter or other enactment, or because of failure on the part of the State to exercise a function that was essential to the health or well-being of the people. Goodnow divides the powers of municipalities into two groups: "powers exercised in matters pertaining to the city itself, and powers exercised as agent of the State in matters of State concern and interest." Continuing, he says, "The line between the two

---

[20] Cubberley, "Public School Administration," p. 14, Houghton Mifflin Co., 1916.
[21] Snedden, "Educational Readjustment," Houghton Mifflin Co, 1913.

classes is constantly shifting, and on account of the growing interdependence of humanity, the State is gradually taking back more and more of the functions previously entrusted to cities."[22]

Of all the sub-divisions of the State, the school district is most limited in its powers. True municipal divisions have a variety of functions, and must perform whatever may be necessary to the public good even when the State has failed to delegate the specific power. School districts, on the other hand, are created for the sole and specific purpose of public education, and their powers are accordingly very restricted. McKinney and Rich in "Ruling Case Law" have given definite form to the principle, which has been recognized by the courts, as follows:

> School districts are quasi municipal corporations, sometimes called "involuntary corporations" . . . They are organized not for the purpose of profit or gain, but solely for the public benefit, and have only such limited powers as may be necessary for that purpose. They have therefore been said to be corporations of the most limited powers known to law. They are but the agents of the State for the sole purpose of administering the State system of public education, and have only such powers as are conferred expressly or by necessary implication. All who deal with them are charged with notice of their authority.[23]

Thus school districts are limited in power because of their singleness of function, and also because this function is itself primarily a State function and the district is merely the agent of the State. Finegan, in emphasizing the "Function of the State in Local Administration," sets the definite limitation upon local school districts as follows:

> What I regard as one of the great fundamental principles of school administration in this country, is that public education is a function of the State and not a function of a municipality nor of any local division of the State. Every school system of every State of the country has been founded upon that principle, and whenever it has been challenged in any State of the Union and the courts of the State have had opportunity to pass upon the question, they have weighed the matter and held that public education is a function

---

[22] Goodnow and Bates, "Municipal Government," Chapter VI.

[23] McKinney and Rich, "Ruling Case Law," Vol. 24, p. 564.

of the State and not a function of the locality. No one can point to a single decision of a court of final jurisdiction in any State of this Union which has held to the contrary. . . It means that the controlling power in education shall always be reserved to the legislative power of the State, and the locality may exercise such powers as are delegated to it by the legislature.[24]

In support of this fundamental proposition Cubberley cites a number of State court opinions.[25] A very recent decision by the Supreme Court of the State of Oklahoma specifically emphasizes the primacy of the State in public educational responsibility, even holding that district tax levies are in the nature of aid to the State rather than State appropriations being aid to the district.[26] The necessary implication from this principle is, to quote a Pennsylvania Supreme Court decision, "that the whole common school system is special and statutory,"[27] and that school directors must limit their actions to those that lie specifically within the powers that are delegated to them by the statutes of their respective States, and directors are personally responsible for any loss or disadvantage that may come to their respective districts or to the State through the exercise of any other powers.

This principle has been recognized by the laws and the courts of Pennsylvania. The Constitution of 1776 provided that "a school or schools shall be established in each county by the legislature;"[28] that of 1790 provided that "the legislature shall, as soon as conveniently may be, provide by law for the establishment of schools throughout the State in such manner that the poor may be taught *gratis*," and "the arts and sciences shall be promoted in one or more seminaries of learning;"[29] and the present Constitution, adopted in 1873, provides that "the General Assembly shall provide for the maintenance and support of a thorough and efficient system of common schools wherein all the children of this Commonwealth above the age of six years may be educated."[30]

---

[24] Finegan, N. E. A. Proceedings, 1916, p. 348.
[25] Cubberley, *op. cit.* Chapter II.
[26] Abel, J. F., *School Life*, November, 1924, p. 51.
[27] Cascade S. D. vs. Lewis S. D.; 43, Pa. 318.
[28] Wickersham, "History of Education in Pennsylvania," p. 256.
[29] *Ibid*, p. 259.
[30] Constitution of Pennsylvania, Article X; Pennsylvania Handbook, 1923–24, p. 292.

In 1904, Mr. Justice Brown of the State Supreme Court said: "A review of the constitutional provisions and legislative enactments clearly shows that the State has regarded the education of the children as one of its duties and functions, the performance of which it has as yet delegated to no municipality. Though by the Act of 1854 every township, borough and city of the Commonwealth is made a school district, its affairs are not managed by the township or municipal authorities, but by boards of school directors or controllers elected for that purpose."[31]

The clear definition of this principle by the courts of the State has been, among others, for the purpose of setting forth clearly the further principle that as agents of the State school districts have only limited powers, and that school directors are personally liable for any loss that may come to the State as a whole or to their respective school districts through acts by them that are not warranted in law specifically or by necessary implication.[32] And acts in themselves legal may be illegally performed even though there may be no resulting loss to the school district. This is clearly brought out in the opinion of the Court in the case of Milford Township School District vs. Speicher, (61 Pa. Super. Ct. 356). The issue turned upon the legality of a reimbursement made by the district to a parent for money voluntarily paid by him for tuition of his children in another district. The principle is so important in this connection that the opinion is quoted at some length:

> Directors of a school district, who have repaid to a parent domiciled in the district moneys which he had voluntarily paid out to another school district for the tuition of his children will be surcharged with such payment when there is nothing in the minutes of either district showing any resolution, contract or arrangement relating to such tuition or payment. [As required by the statutes of the time]. . .
>
> The fact that they, the directors, paid the money voluntarily and in good faith is held to be an equitable reason why they should not be made liable. But when they are dealing with trust funds and their authority is prescribed by statute there is no place for what might be called equitable principles. . .
>
> If they are to be justified on the ground of good faith any payment made

---

[31] Board of Education vs. Ransley; 209 Pa. 51, 1904.
[32] DeVere Ford vs. Kendall, S. D.; 121 Pa. 543, 1888.

in the belief that it was for the interest of the school district, might be supported although it lacked justification in the permission of any statute. The school directors are vested with a limited discretion and have authority within this limit to act through agents and create implied liabilities.

A number of other decisions firmly support the same principle.[33] The implication from these pronouncements of the courts is of fundamental importance to school directors. School districts in Pennsylvania have only such powers as are specifically enumerated in the law. Extra-legal acts are therefore illegal acts, and directors voting for extra-legal as well as for illegal acts are personally liable for and may be surcharged with any loss or disadvantage that may come through such acts to the local district. Therefore, expenditures by school districts are legal only when made in strict compliance with the statutes applying in the particular case.

This principle is of fundamental importance in the matter of indebtedness. The validity of bonds depends in part upon their legality; and to be legally issued bonds must be in strict accord with whatever statutes apply. And after the issuance of bonds it is imperative that school districts shall carry out whatever promises may be made in them or whatever acts the statutes may stipulate. Failure to do so may result in loss, for which directors may be held liable.

3. Taxing Powers of School Districts

School districts as thus defined by law and interpreted by the courts, though for the most part coterminous with the corresponding civil divisions, are wholly independent corporations, and are in no way accountable to the local civil authorities. Except in the control which the people of each district may exercise through the choice of directors and in decisions upon certain matters of referendum regarding the incurrence of debt, to be discussed later, the directors are limited only by the laws of the State. One exception to this general statement will be considered below. Since 1854 each district under the general

[33] *e. g.* Chalfant vs. Edwards *et al.*, 173 Pa. 247, 1896; Hanover Twp., Audit, 265 Pa. 157 1919; Cascade S. D. vs. Lewis S. D., 43 Pa. 318, 1862.

law has been constituted a corporation with power to purchase, possess or dispose of property in its own corporate name, to sue or to be sued as a corporation, and in general to have such corporate powers as are necessary to carry out the school law.[34]

The school district in Pennsylvania (Philadelphia excepted) has practically from the beginning possessed independent taxing power. In the law of 1834, as was observed above, the tax for the school division (*i e.* the county) was added by the county commissioners to the county rates and levies; and if the people of any local district decided in town meeting to raise any larger sum for their schools, the proposed increase was to be collected by the township commissioners or borough council. The township or borough treasurer was to act as school treasurer, and would be expected to credit the schools with their proportion of the tax as collected, receive from the county treasurer the portion due the district of the county school tax and State appropriation, and pay out on orders of the school directors.[35] But in the revised school law of 1836 school boards were given power to levy their own school taxes, to issue the necessary warrants to collectors, and to make exonerations and abatements.[36] This power has not been altered from that date to the present time. In 1842, even those districts that had not yet "accepted" the free school law were required to estimate annually the amount necessary "to educate the poor *gratis*" between the ages of five and fourteen, and to levy and direct the collection of sufficient tax to meet the expense.[37] Philadelphia, operating under a number of special acts, did not come to possess independent school taxing power until the School Code in 1911 freed the city school district from any measure of municipal control.[38] Thus school districts in Pennsylvania have nearly always enjoyed practical financial freedom.

There are nevertheless definite limitations upon the taxing power of all school districts. One of these (the exception noted

---

[34] Act of May 8, 1854, Section 18, (P. L. 617); and S. C. Section 119.
[35] Act of April 1, 1834, Section 4, (P. L. 170)
[36] Act of June 13, 1836, Section 5, (P. L. 525).
[37] Act of July 30, 1842, (P. L. 449).
[38] S. C. Section 524.

above) is purely local. The basis of taxation is, of course, the local property and per capita assessment, which is made by local assessors acting under the direction of city councils or of the county commissioners. School districts have no independent power of assessment, but must accept the assessment as made for city or county purposes and base their tax upon it.[39] The county was originally an important administrative unit before the multiplication and growth of cities. The cost of "educating the poor *gratis*" was, as previously noted, laid upon the county. When school districts were given independent taxing power it was natural that the commissioners should be required to furnish copies of the assessment upon which county and borough taxes were levied.[40] As cities grew, however, and city authorities were given greater control over assessments, it seemed equally natural that city school districts should use the city assessment records. This was not done for districts of the first and second classes, embracing all the larger cities, until the adoption of the Code in 1911, and not for third-class districts that are coterminous with cities until 1923. Other districts of the third class and all districts of the fourth class must still base their tax upon the duplicate of assessed values as furnished by the county commissioners.

Besides the tax levy, the Constitutional and legal limit of debt for municipalities and school districts is fixed in terms of the assessed valuation of property, and has been so since the borrowing limits were first fixed by the law of 1854.[41] This law will be discussed in greater detail later.

School districts are further limited by the maximal and minimal limits of taxation fixed by the school law. As the needs of the schools have grown, these limits have been steadily advancing. For the State at large the law of 1834 provided that the joint meeting of district delegates and county commissioners might vote to levy a school tax, presumably without upper limit; but the tax, if levied could not "be less in amount than double the funds that may be furnished to said county or school division

[39] S. C. Sections 525, 526, 538, 540, 541, 543.
[40] Act of June 13, 1836, Section 4, (P. L. 525).
[41] Act of May 8, 1854, Section 22, (P. L. 617).

. . . out of the treasury of the Commonwealth in aid of common schools." The taxables of any district might vote in town meeting to raise any additional sum they chose.[42] In the improved Act of 1836, however, the directors of each district (the county unit now being abandoned,) were empowered to levy such an amount of tax upon such district as they may think necessary for school purposes," not less than equal to nor more than treble the amount which the district is entitled to receive out of the annual State appropriation." The taxables of any district might vote in town meeting to increase the amount without limit.[43] Although in some specific cases[44] the legislature altered these limits, this arrangement continued to be the general plan until the next revision of the school law in 1849.

This latter law required the levy of such tax that with other income due the district might "be sufficient and necessary to keep the schools of the district in operation not less than four nor more than ten months in the year."[45] There is here no provision for the town meeting, and it does not appear in subsequent school laws. In 1854 a new maximal limit was set "not to exceed the amount of State and county taxes authorized to be assessed."[46] At that time the county tax was ten mills and the State tax was three mills, and although the State tax on real estate was later discontinued, the maximum of thirteen mills for school taxes was understood to be unaffected.[47] This tax of thirteen mills or less was understood to be primarily for current expenses. This law also provided for a special "building tax" not to exceed the amount of the regular annual tax."[48] This provision will be discussed in detail in the next chapter. Here it should be noted that there was a separate "building tax" from 1854 to the adoption of the Code in 1911. Prior to 1854 and since 1911 the one tax levy was intended to cover all purposes.

---

[42] Act of April 1, 1834, Sections 5 and 7, (P. L. 170).

[43] Act of June 13, 1836, Section 4, (P. L. 525).

[44] *e. g.* Norristown, Act of March 4, 1850, (P. L. 128); Townships of Haverford, Radnor and Upper Darby, Act of April 9, 1850, (P. L. 425).

[45] Act of April 7, 1849, Section 22, (P. L. 441).

[46] Act of May 8, 1854, Section 30, (P. L. 617).

[47] School Laws and Decisions, 1903, p. 185. See also Section 1 of the Fairview Act of April 9, 1869, (P. L. 790).

[48] Act of May 8, 1854, Section 33, (P. L. 617).

From time to time the minimum term has been advanced until in 1899 it had become seven months, except that those districts were permitted to have a shorter term in which the maximum tax of thirteen mills proved insufficient for seven months of school.[49] In 1903 the minimum salaries of teachers were fixed by law, and this, together with the law fixing the minimum term of school considerably advanced the lower limit of taxation while the upper limit of thirteen mills prevailed.[50]

In the Code of 1911 a schedule of tax maxima and minima was adopted for the various classes of school districts. For those of the first-class the levy could not be more than six nor less than five mills, and the minimum term was made nine months. For second-class districts the maximum limit was made twenty mills and the minimum term nine months. For third- and fourth-class districts the maximum limit of tax was made twenty-five mills and the minimum term eight and seven months respectively.[51] The minimum salaries of teachers had, of course, advanced considerably between 1903 and 1911 and very much more by 1921, so that the minimum tax necessary to operate the schools was lifted materially. As indicated above, the limits of the Code returned to the plan used prior to 1854 of one tax for all purposes, and the separate building tax was now discontinued.[52]

Hitherto legal enactments in respect to taxation have not only sought the maintenance of minimum standards throughout the State, but have set limits beyond which the initiative and enterprise of the local community might not go. But with the rapidly advancing minimum salaries that came in the legislation of 1919 and 1921, and with the mounting costs of capital outlays that followed the World War, these maximal limits proved in many districts to be very inadequate. In 1921 the following enactment was made for first-class districts:

> The board of school directors thereof shall annually levy a tax on each dollar of the total assessment of all property assessed and certified for taxation

[49] Act of April 4, 1899, (P. L. 31).
[50] Act of April 9, 1903, (P. L. 162).
[51] S. C. (1911), Article V and Article XVI.
[52] S. C. Section 502.

in said district, which said tax shall be ascertained, determined and fixed by adding together the following:

(a) An amount which, with all money received from the Commonwealth applicable thereto, shall be sufficient to pay the minimum salaries and increments of the teaching and supervisory staff thereof as fixed and provided by law, and to pay the contribution of said district to the teachers' retirement fund.

(b) An amount sufficient to pay the interest on, and retire the principal of, the indebtedness of said district at maturity.

(c) An amount sufficient to pay all other expenses and requirements of said school district, which amount shall be equivalent to not less than two and one-half nor more than three mills on the dollar of the total assessment of all property assessed and certified for taxation therein.[53]

For districts of the other classes Section 537 of the general Code, which fixed the millage limits, was not changed; but Paragraph 24 of Section 1210—the minimum salary law adopted in 1921—provides as follows:

Boards of school directors of school districts of the second, third and fourth classes are hereby authorized and directed to levy annually a tax on each dollar of the total assessment of all property assessed and certified for taxation therein to pay the minimum salaries and increments of the teaching and supervisory staff provided herein. Said tax shall not be invalidated or affected by reason of the fact that it may increase the total annual tax levy of any school district beyond the millage fixed or limited by law: Provided, That in districts of the fourth class, the tax herein authorized, together with all other school taxes levied in the district, shall not exceed thirty-five (35) mills on each dollar of the assessed valuation thereof.[54]

In addition to the taxation thus fixed by law on real property, school districts of the second, third and fourth classes may also levy per capita taxes upon men and women up to $5.00 each.[55] Per capita taxes for school purposes have had a varied and interesting history in Pennsylvania, being used sometimes even for financing capital outlays. It is beside the purpose here, however to review this history.

---

[53] S. C. Section 524.
[54] S. C. Section 1210, paragraph 24.
[55] S. C. Section 537.

Thus it can be seen that tax limits have been lifted very much for all school districts. First-, second- and third-class districts are now unrestricted as to the amounts they may levy for teachers' salaries; and since this item usually makes up about three-fourths of the entire budget, and the previous tax limit remains for the remaining one-fourth of the budget, one may safely say that there is now for these districts practically no upper limit of taxation except as it may be fixed by local public sentiment. First-class districts are also unlimited as to the amounts that may be raised for debt service, except that taxes may not be levied in anticipation of debts to be later contracted; and the provision might even be construed to apply to temporary as well as to bonded indebtedness, a construction that may in time lead to loose financing. For fourth-class districts, the extension of the tax limit from twenty-five to thirty-five mills and the greatly increased State aid for teachers' salaries have considerably widened the financial horizon.

At the same time it is a matter of serious question whether the State should continue to stifle local initiative and enterprise by imposing a maximal limit of taxation. There should, of course, be close supervision by State authorities to prevent extravagance and waste, and communities should not be permitted through mismanagement to obligate themselves beyond their resources; but within their resources school districts should be given freedom to provide as thorough an education for their boys and girls as they may elect, with as good teachers and as good buildings as they may choose to have. In the opinion of the writer, the tax freedom now accorded to first-class school districts for teachers' salaries and debt service, and to second- and third-class districts for teachers' salaries should be extended to all districts, and should be made to include direct capital outlays without the necessity of short or long term borrowing as now seems necessary. In this way the only upper limitation upon standards of teachers, buildings, and payment of debts will be local willingness to support schools.

4. *Summary*

This chapter has defined, delimited and classified the school districts of Pennsylvania as is done by the present law. It has shown the wide variations among districts within each class both as to population and as to ability to support schools as represented by the true assessed valuation of taxable property. It has also shown the fact that these school districts are practically autonomous, being limited only by State laws which fix standards within which local districts are free to act. This leads to wide differences in local policy, as will appear later with reference to the bonded debt.

The chapter has also brought out by law and court decisions that the principle of State responsibility for and ultimate control of education, long and universally recognized in American government, prevails in Pennsylvania; and that as agents for the State the local districts are bound to perform only such acts and only in such ways as may be expressly stipulated in the law. Thus losses that may come from or expenditures that may be made through extra-legal or through illegal acts may be surcharged to the directors responsible for them. Legality of bonds at the time of issue, therefore, requires that all statutes that govern the issuance of bonds shall be strictly complied with. Further, after issue of bonds, whatever covenants are contained in them as well as actions required by law become legal obligations upon the school district.

There is further traced herein the evolution of the present taxing power of school districts in Pennsylvania from the establishment of the common school system to the present. There is shown the fact that school districts in Pennsylvania, Philadelphia excepted, have had independent taxing power from the beginning; and except that they have no control over the assessment of property upon which the tax must be levied, and are bound by certain legal maxima and minima for the tax, they are to all intents and purposes financially free. The legal maxima and minima upon the tax have shifted from time to time, almost always upward, until at the present time the maxima are so high that districts of the first, second and third classes are practically

unlimited and districts of the fourth class have a wide range of financial power. The law governing taxation seems, however, to have required the financing of capital outlays indirectly through borrowing. This breadth of financial power will be seen to be vitally important in the matter of school district indebtedness.

CHAPTER III

Legal Provisions for Financing Capital Outlays in Pennsylvania

The rapid development of the school system in Pennsylvania has necessitated a great deal of building, and capital outlays have required a large share of the revenues of school districts. It is the purpose of the present chapter to study the legal provisions that were made for financing capital outlays from the genesis of the public school system to the present time, as shown by the various general and special statutory enactments and the construction and interpretation of these statutes by the courts of the Commonwealth. From this study it will be possible to trace an evolution from an early "pay as you build" policy to the present "bond as you build" policy commonly followed by school districts.

1. The Early "Pay as You Build" Policy

Long before the legislature took steps to carry out the mandate of the Constitution, and even before the first Constitution itself was framed, Schools as private enterprises pretty well dotted the State. These were probably for the most part simple one-roomed structures, in which more or less unlettered school-masters and school-mistresses sought to give instruction in the simplest rudiments of learning. Here and there over the State were "seminaries" and later "academies," designed to give the more advanced learning.

When at last, in the first decade of the nineteenth century the legislature turned its attention to educational legislation, it naturally took advantage of the existing schools; and in the laws of that period directed the local teachers to receive into their schools such children as were listed by the local assessors and as might apply "whose parents were unable to pay for their schooling," and to send accounts of such children for tuition,

---

[1] Act of April 4, 1809, Section 2, Statutes at Large, Vol. XVIII, p. 1171.

school books and stationery at first to the township and later to the county commissioners for settlement.[1] In Philadelphia, in 1812, the commissioners were required to assign such children to particular teachers.[2]

In 1818, Philadelphia County was made the "first school district of the State of Pennsylvania," with Philadelphia as the "first section." There was a provision for a separate board of directors for each section, and a board of controllers (one controller for each six directors) for the entire district. The controllers were empowered to determine the location and limit of expense of erecting school houses, and the directors as thus limited were to build. Such schools were for "indigent orphan children or children of indigent parents," and thereafter such children could be educated at the public expense only in such schools. The expense of erecting and maintaining such schools was to be paid by the county treasurer on orders of the school controllers. Such schools were to be on the Lancasterian plan, which seemed to provide an easy solution for the problem of educating the children at public expense.[3]

In 1821, acts were passed directing the commissioners of Cumberland, Dauphin, Lancaster and Allegheny counties respectively "to select and employ as often as occasion may require and at such places and on such plans as they may believe to be most convenient one or more discreet and capable teachers for the education of such poor children gratis."[4] In 1827, the commissioners of Dauphin County were directed to provide room, either in the court house or by building "for all the children to be educated at the public expense who shall reside in the borough of Harrisburg or within one mile thereof."[5] In 1828, a similar law was enacted for Pittsburgh in Allegheny County.[6] These schools were also directed to be on the Lancasterian plan. They must have been simple structures and probably did not require much in the way of outlay. It is evident from a reading

---

[2] Act of March 31, 1812, (Boileau, p. 218).
[3] Act of March 3, 1818, (P. L. 124).
[4] Act of March 27, 1821, (P. L. 131), and Act of March 31, 1821, (P. L. 181).
[5] Act of April 11, 1827, (P. L. 216).
[6] Act of February 19, 1828, (P. L. 105).

of the acts that these schools were to be paid for when built out of current revenues.

With the enactment of the first free school law in 1834, the problem of building became important. It was made the duty of directors in the various districts electing to have free schools "to determine the number of schools to be opened in their respective districts and to cause suitable buildings to be erected, purchased or hired for schools."[7] In the face of this competition private elementary schools languished, and the properties were gradually turned over to the public school authorities. The cost of building by this act was evidently, if one may infer from a reading of the act, to be included in current expenses, and the capital outlay policy of the school system of the State was thus initially one of "pay as you build."

This was the only policy recognized in the early period of the State system. The provision of the law of 1834 was re-enacted in substantially the same form in the law of 1836.[8] The distribution of "surplus revenue" at this time by the national government proved helpful, and the interest from this fund was turned into the common school fund. The basic annual appropriation for schools was advanced from $75,000 in 1834 to $200,000 in 1836, half of this latter amount "payable by the Bank of the United States." Then in 1837, a resolution directed the distribution of $500,000, "to be applied by the several school districts either for the building, repairing and purchasing of school houses or for education as they may deem best."[9] In view of the panic of that year, this large special appropriation must have helped greatly to keep the infant system growing.

In 1848, when the school system was made general and required in every school district of the State, the districts that had been theretofore "non-accepting" were "entitled to a deduction of twenty-five per cent of all moneys paid into the county treasury by such district for State purposes during the next two ensuing school years, which money so deducted shall be paid to the treasurer of the board of school directors of such

---

[7] Act of April 1, 1834, Section 8, (P. L. 170).
[8] Act of June 13, 1836, Section 8, (P. L. 525).
[9] Act of February 27, 1837, (P. L. 405).

school district, and shall be exclusively appropriated to the erection of school houses in such school district."[10] In 1849, the revised school law provided that directors should "rent, purchase or build suitable buildings or grounds;" and in the absence of specific provision otherwise, the presumption is that the cost was to be included in the current expense of the year.[11] During the following five years several special acts were passed empowering individual districts to levy special taxes for grounds and buildings.[12] These acts set tax limits beyond those set by the general law and made possible the payment of building costs immediately or within a very brief period.

In the revised and improved school law of 1854, there was added the provision for a "building tax" that remained the fundamental provision for capital outlays until the adoption of the present Code in 1911. This provision follows:

> That the board of directors or controllers in cities or boroughs, where the school property is vested in them agreeably to the provisions of section second, may at any time, not oftener than once in each school year, levy a special tax not exceeding the amount of the regular annual tax for such year, to be applied solely to the purpose of purchasing or paying for the ground or building or erection of school buildings thereon, which said tax shall be levied and collected at the same time, in the same manner and with like authority as the regular annual tax.[13]

As noted in the preceding chapter, the limit of the "regular annual tax" was fixed "not exceeding the amount of the State and county taxes authorized to be assessed." At that time the limit was thirteen mills.[14] Such building tax could not, however, exceed in any one year the amount of the regular tax for school purposes in that year.[15] The construction which the courts have given this measure has been very strict. Thus, there could be a building tax levy only in the years when there was an

---

[10] Act of April 11, 1848, (P. L. 520).

[11] Act of April 7, 1849, Section 16, paragraph 2, (P. L. 441).

[12] *e. g.* Clearfield Act of May 4, 1852, (P. L. 567).

[13] Act of May 8, 1854, Section 33, (P. L. 617).

[14] Conyngham School District's Appeal, 77 Pa. 265, 1874; and School Laws and Decisions, 1903, p. 185.

[15] Walker vs. Edmonds, 197 Pa. 645, 1901.

ordinary tax levy;[16] and while the surplus of the ordinary tax could be diverted to building purposes, provided it did not keep the schools from being kept open for the minimum term,[17] the surplus of the building tax could not be diverted to ordinary school purposes.[18] Even when a building deficit had been covered by an appropriation from the general fund in one year, the general fund could not be reimbursed in a later year from the building tax.[19] Further, such building taxes could not be used for repairs to buildings.[20] This law and these court decisions support the statement that the early policy of school districts in the State was one of "pay as you build."

There must have been considerable confusion as to what these building taxes could be used for, and the court decisions cited above showed the need of legislation to define their proper uses. Finally in 1897, the legislature specifically stipulated the objects for which these taxes could be used as follows:

> That the board of directors or controllers in cities or boroughs where the school property is vested in them agreeably to the provisions of section second, may at any time, not oftener than once in each school year, levy a special tax not exceeding the amount of the regular annual tax for such year, to be applied solely as follows: (a) for purchasing grounds; (b) for erecting and furnishing buildings; (c) for the accumulation of a fund for purchasing grounds and erecting buildings; (d) for the payment of a debt in purchasing grounds and erecting buildings; (e) for completing improvements in school buildings contemplated at the time of their erection; (f) for fencing and improving grounds in connection with the erection of buildings; (g) for the payment of the expense of fuel used in heating buildings; (h) for the payment of the expense of janitors employed to care for school buildings, which said tax shall be levied and collected at the same time, in the manner and with like authority as the regular annual tax.[21]

As can be seen, these objects, except those of fuel and janitor expense, are distinctly capital outlays, and the act seems dis-

---

[16] *Ibid.*
[17] German Township S. D. vs. Sangston, 74 Pa. 454, 1873.
[18] Conner's Appeal, 103 Pa. 356, 1883.
[19] *Ibid.*
[20] Gilbert *et al.* vs. Tierney, 14 Pa. C. C. 472, 1894.
[21] Act of May 29, 1897, (P. L. 97).

tinctly to encourage financing these outlays by taxation. In the legislation thus far reviewed the policy encouraged by the State appears to have been one of "pay as you build." The taxation for building might be spread, it is true, over a short period of years, as will appear from the following section; but the laws here considered seem nowhere to contemplate long term debts. In some instances the legislature empowered certain school districts to levy per capita taxes for building,[22] and in others to use the full amount of the legal ordinary tax for building above what might be necessary to keep the schools in operation for the minimum term provided by law;[23] although in one instance even this limitation was waived for a period of five years to encourage building.[24] In "School Laws and Decisions," issued by the Department of Public Instruction in 1903, this policy is recommended to school districts as follows: "An intended building may be provided by the levy of a building tax one or more years before the building is actually commenced. This mode is often more advisable, as it prevents the imposition of an onerous tax in one year."[25]

With the Code of 1911 a different policy was encouraged. Boards of directors were now required "to establish, equip, furnish and maintain" elementary schools, and were empowered to do the same with schools and departments of higher grade and with various allied activities; and in order to carry out these provisions they were empowered to levy and collect the necessary taxes, limited as to maxima and minima as already discussed in the preceding chapter.[26] In this law, however, there is no differentiation between "building fund" taxes and "ordinary" taxes: the one levy is intended to cover all, and the maxima closely approximate the combined maxima of the old law.[27]

While there has been greater flexibility under the new law,

---

[22] *e. g.*, Canton Act of April 1, 1868, (P. L. 559); and West Newton Act of March 16, 1866. (P. L. 221).

[23] West Newton Act above, Section 2.

[24] Connellsville Act of March 21, 1866, (P. L. 252).

[25] School Laws and Decisions, 1903, p. 189.

[26] S. C. (1911), Sections 401, 402.

[27] S. C. (1911), Section 502.

there has been the possibility of "robbing Peter to pay Paul." Formerly the tax for current expenses was definitely limited to thirteen mills, and the tax for buildings to the same amount that was levied for current expenses. By the new law the whole amount could be used for current expenses, except for such debt service needs as might be imperative in any year, such as interest on debt and principal of maturing bonds that could not be refunded. The consequence of this undoubtedly was that school districts, under pressure of the growing complexity and advancing cost of education, were compelled to push the levy to meet current expenses alone close or quite to the limit fixed by law or by local public sentiment in years when no building outlays were needed; and were without power, in years when new buildings were required, to finance them out of current revenues. Thus since 1911, there has been a distinct departure from the "pay as you build policy," and school districts, by the pressure of mounting current expenses, have been constrained to spread capital outlays as thinly as possible over as long a period as the law permitted through borrowing.

2. *School Borrowing Legislation Before 1874*

It should not be concluded from the foregoing discussion that school districts in Pennsylvania did no borrowing prior to the enactment of the Code in 1911. School indebtedness began in a modest way very early, and in the years since the Civil War seems to have increased very rapidly. It will be well to review the borrowing legislation that was enacted prior to the adoption of the present Constitution in 1873, which provided definitely for a debt policy.

The earliest borrowing act (1841) enabled the school district of Lancaster to borrow $6000. The purpose is not specified, but the amount seems to suggest building.[28] Five other acts were passed in that decade "to pay the debts contracted in building," or "for the purpose of completing a school house," or "for the payment of the debts of such school district and improve-

[28] Act of March 12, 1841, (P. L. 372).

ment of school houses and grounds."[29] It will be recalled that in 1849 public schools were required in every district of the State. Four of the six laws for borrowing that were passed before that date specified amounts, and the four totaled only $10,500. None of these loans was limited as to time, but the Erie Act of 1849 authorized the board "to lay an increased taxation each and every year so long as it may be necessary, over and above the limit of taxation for school purposes fixed by the present or any subsequent law, so as to raise the sum of two-hundred dollars, to be specifically pledged for the payment of the interest on the said loans, and to provide a sinking fund for its eventual liquidation." The amount of the loan was $1500, and at this rate it could be liquidated in nine or ten years.

Evidently these acts were necessary because the tax limits of the time were too narrow. With the requirement of free schools in each district, the limits of taxation pressed still harder, and from the enactment of the general law of 1849 to that of the improved law of 1854 there were passed for school districts thirty-six special borrowing acts, every one of which stipulated that the loan was to be used for grounds or buildings already bought or built, or to be bought or built. Two of these acts did not specify the amounts of the loans authorized, but the total of the other thirty-four was only $106,100. Since the general school law of 1849 did not empower school districts to borrow, there could have been very little, if any, other school debt. Hence in 1854 the school debt could not much have exceeded this amount; and since most of the loans were for small amounts, and since ten of these acts carried provision for extra taxes above the legal maximum to pay off the debt early, the actual school debt in 1854 probably fell far short of $100,000. Only three of these acts carried special time limits for the debts to run. That for Bristol in Bucks County, the first to have a time limit, was twenty-eighth in order of the thirty-six, the limit being twenty years for a debt of $3000.[30] New Brighton in Beaver County

---

[29] Branch Township, Act of March 19, 1841, (P. L. 89); Norristown, Act of April 17, 1846, (P. L. 372); Norristown, Act oi March 8, 1847, (P. L. 263); Tamaqua, Act of April 10, 1848, (P. L. 444); Erie, Act of March 12, 1849, (P. L. 148).

[30] Bristol; Act of April 18, 1853, (P. L. 547).

had a limit of five years for a debt of $2000;[31] and Tremont Township in Schuylkill County had a limit of twenty years set for a debt of $3000.[32] The presumption is reasonable from a reading of these acts that the debt was in each case to be cancelled just as rapidly as the wealth of the district could furnish the money by taxation. This seemed consistent with the "pay as you build" policy followed by the State.

By 1854 the growth of the system seems to have made the building problem serious. In addition to the building tax provision already discussed, there was a provision in the law of that year which enabled school districts to negotiate loans for buildings. It follows:

> That for the purpose of erecting schoolhouses, or purchasing grounds whereon to erect schoolhouses, it shall be lawful for the directors or controllers of any school district to borrow money at a rate of interest not exceeding six per centum, and issue bonds therefor in sums not less than one hundred dollars each: Provided, That the total indebtedness incurred by any district under the provisions of this act shall not at any time exceed one-half of one per centum of the assessed value of the real estate of such district.[33]

This provision, it will be noted, sets no time limit upon the life of the loans. Coupled with the building tax provision, however, it appears to have been only a temporary expedient to spread the cost of occasional building over a short period of years, rather than to load the cost upon the community in any one year. And the very low maximum of debt allowed by the law—one-half of one per cent of the assessed valuation—did not encourage large debts nor procrastination in paying them.

This debt limit prevailed in the fundamental law until 1871. But the growth of the system soon began to crowd the limit. From 1854 to 1871, the legislature enacted approximately 300 special acts which empowered various school districts to borrow. Several of these acts contained a preamble which stated that the percentage allowed by the law of 1854 "is not large enough to

---

[31] New Brighton, Act of May 20, 1853, (P. L. 683).
[32] Tremont Township, Act of February 27, 1854, (P. L. 123).
[33] Act of May 8, 1854, Section 22, (P. L. 617).

meet the needs of said borough."[34] The amounts varied from $300 to $60,000. Of these acts sixty were passed before the close of the Civil War, and about two-hundred-forty between the close of the war and 1871. In this latter year the special acts reached a total of fifty-one; and to relieve itself the legislature delegated to the courts of common pleas the power to pass upon the petitions of school districts to borrow beyond the limit of the law of 1854 up to a limit of five per cent of the assessed valuation of the real estate of the petitioning district.[35] Even this extension of power, however, did not seem to relieve the situation; for in 1872 twelve special acts were passed, and in 1873 twenty-nine, most of them for the purpose of sanctioning loans in excess of five per cent of the property valuation, and twenty of the forty-one containing the proviso that the "directors shall first exhaust the power of the court of common pleas as to the borrowing of money," showing that the courts were active in the functioning of the law of 1871.

While most of these special acts were for the purpose of permitting a higher interest rate than the six per cent allowed by the law of 1854,[36] or for permitting the denominations of bonds to be less than the $100 stipulated in the law,[37] it is interesting to notice the time limits placed upon a large number of them. Either by definite limitations placed upon the life of the bonds or by limits upon the extra taxes authorized to pay them in many cases, one hundred fifty-nine of these acts limited the life of the respective loans. The distribution of these time limits is shown in Table II on the next page:

Examination of this table shows that there were only thirty-four of these acts that permitted loans to run longer than ten years, and only eleven of these thirty-four were passed during the years 1872 and 1873 when loans sanctioned by the courts might run as long as twenty years. Of the 295 acts that were passed before the power was given to the courts to sanction

[34] *e. g.*, Kutztown, Act of April 1, 1863, (P. L. 253).

[35] Act of April 2, 1871, (P. L. 241).

[36] Note: The Act of 1871 empowered the courts to authorize loans paying as high as 8 per cent interest (the law of 1854 having allowed only 6 per cent). One special act of 1872 allowed 9 per cent, and three Acts of 1873 allowed 10 per cent.

[37] *e. g.*, Chapman Act of April 3, 1872, (P. L. 785).

loans, only 23 fixed the life of the respective loans beyond ten years, and of these 20 were enacted after the close of the Civil War. It is probable that the acts that fixed no time limit were intended for loans that in most instances were to be short-lived. Thus the conclusion seems warranted that prior to the Civil War borrowing by school districts was for relatively short terms. The post-war advance, besides requiring much building at advanced cost, also increased the current expense of the schools, and no doubt prompted communities to seek building loans for longer periods.

TABLE II

TIME LIMITS SET BY SPECIAL LOAN ACTS, 1854–1873

YEAR	TOTAL NO. OF ACTS	LIMIT OF RESPECTIVE LOANS IN YEARS						
		0	1–5	6–10	11–15	16–20	21–25	26–30
1855	3	3	..	..	..	..	..	..
1856	5	4	1	..	..	..	..	..
1857	7	6	..	1	..	..	..	..
1858	3	3	..	..	..	..	..	..
1859	4	4	..	..	..	..	..	..
1860	6	3	..	3	..	..	..	..
1861	5	3	..	1	1	..	..	..
1862	8	4	3	1	..	..	..	..
1863	5	4	..	1	..	..	..	..
1864	8	4	1	1	..	2	..	..
1865	7	5	..	2	..	..	..	..
1866	14	9	1	4	..	..	..	..
1867	38	24	5	7	1	1	..	..
1868	48	27	12	8	..	1	..	..
1869	49	27	1	15	3	1	1	1
1870	34	16	4	7	5	2	..	..
1871	51	31	3	13	2	2	..	..
Sub-Total	295	177	31	64	12	9	1	1
1872	12	1	2	5	3	..	..	1
1873	29	7	3	12	3	3	..	1
Total	336	185	36	81	18	12	1	3

Of these 336 acts, 248 specified that the funds borrowed were to be used for the purpose of purchasing or improving grounds

or buildings, sometimes stipulating that the funds "were to be used for building purposes and no other." This express stipulation of some of the laws suggests that probably borrowed funds were not always carefully accounted for as to purpose, and perhaps were not infrequently diverted to purposes other than those for which the funds were originally borrowed. Two or three of the acts even naively excused the bondholders from responsibility for seeing that the funds loaned were properly used.[38] A few of the acts were for the purpose of enabling school districts to pay bounties to enlisted men during the later years of the war, until in 1864 school districts like other civil divisions were empowered to borrow sufficient to pay each enlisted man $300, and to levy a special tax sufficient to pay back the amount thus borrowed.[39] Five of the acts gave permission to use the loans for "school purposes" (*i. e.* for current expenses,) and these were passed during the period 1868–1871.[40] Thus the borrowing done prior to 1873 was predominantly for capital outlays.

Bonds have a way of falling due and call for some provision for payment. How did the laws of this period provide for the payment of bonds? Of the 336 acts here considered, 115 provided for the levy of a tax above the general legal limits for the purpose of paying interest and providing a fund for the payment of the principal as it fell due. One is led to believe from an examination of the legislation of the period under consideration that most of these obligations were met when due. The Act of 1854 did not include the refunding of due debts as one of the purposes for which school districts could borrow, and in the Act of 1871 the courts were empowered to sanction borrowing by school districts only "for the purpose of erecting school houses." Thus borrowing for the purpose of refunding due debts could be done only under special authority from the legislature. Many of the acts here discussed provide in a general way that the funds borrowed may be used "for debts, grounds and buildings," "for debt and improvements," "for building debt," etc. Some of these debts may have been old debts falling

[38] *e. g.*, Borough Township, Act of April 5, 1862, (P. L. 251).
[39] Act of March 25, 1864, (P. L. 85).
[40] *e. g.*, Act of March 28, 1870, (P. L. 565).

due. Most of them were undoubtedly debts recently incurred in purchasing sites and buildings, and the borrowing authority was sought for the purpose of funding these recent debts. From 1868 to 1871, four special acts were passed empowering certain school districts (to quote the language of one of the acts,) "to levy and collect beyond the amount now allowed by law such an amount of tax as will pay bonds now falling due."[41]

One is warranted in concluding, therefore, that up to 1871 borrowing by school districts was strictly limited to short terms, and that there was full expectation that bonds would be paid when due out of funds provided through taxation. In 1871 and thereafter, for some reason, (probably mounting current expenses,) acts were passed permitting certain individual districts to refund debts falling due by the issue of new bonds. The first of these was an act permitting Harrisburg school district, upon consolidation of the ward districts in 1871, to use as much of a loan authorized "as may be needed to redeem bonds of February 27, 1868."[42] During the years 1871 and 1872 ten special acts were passed, providing in certain districts for the redemption of bonds falling due by the issue of new bonds. The maturity of many of the acts included in Table II fell, of course, later than 1873. One may safely conclude, therefore, that there was little refunding of bonds prior to that date.

3. School Borrowing Legislation 1874-1911

The adoption of the present Constitution in 1873 made more definite as well as more liberal provisions for debt service of the civil divisions of the State. These provisions were doubtless the outgrowth of the period since the close of the Civil War and the legislative experience as reviewed above for school districts. The Constitutional limitations controlling the "debt of any county, city, borough, township, school district, or any other municipality or incorporated district" are contained in Sections 8, 10, and 15 of Article IX, which deals with "Taxation

---

[41] Punxsutawney, Act of April 1, 1868, (P. L. 598).
[42] Act of May 2, 1871, (P. L. 511).

and Finance." The legislation needed to make these provisions operative is contained in the Act of April 20, 1874.[43]

In brief, these provisions are as follows: Any school district (as well as other civil divisions,) might incur indebtedness up to two per cent of the assessed valuation thereof without the assent of the electors, and in the aggregate up to seven per cent with the assent of the electors. Such debt might be evidenced by "coupon bonds or other securities in sums not less than one hundred dollars each, bearing interest at a rate not above six per cent per annum." The Constitution provides that "any county, township, school district, or other municipality incurring any indebtedness shall at or before the time of so doing provide for the collection of an annual tax sufficient to pay the interest and the principal thereof within thirty years." The Act of 1874 was even more explicit and required "that an annual tax commencing the first year after such debt shall be increased or incurred equal to at least eight per centum of the amounts thereof, shall be forthwith assessed to provide for the payment of the interest and the liquidation of the principal, and the moneys arising from such tax shall be applied annually and as fast as the same accumulates to the redemption at par of the outstanding obligations." This provision continued in force until 1895, when there was substituted for it the requirement that "an annual tax, the collection whereof shall begin the first year after the said increase [*i. e.*, of debt], which tax shall be equal to and sufficient for and applied exclusively to the payment of the interest and principal of such debt within a period not exceeding thirty years from the date of such increase."[44]

There must have been much neglect of these sane provisions for cancelling debts as bonds matured; and refunding of bonds, if one may judge from the legislation passed, must have become a frequent necessity. The fundamental act of 1874 provided that "the existing indebtedness [*i. e.*, the indebtedness existing at the time of the approval of the act, April 20, 1874,] might be met at maturity by the issue of new bonds to the same or different

---

[43] Constitution, Article IX, Section 10, Penna. State Manual 1923–24, p. 291; and Act of April 20, 1874, Section 2, (P. L. 65).

[44] Act of April 18, 1895, (P. L. 36).

holders" with the same limitations as for new debts discussed above.[45] The Act of 1876, however, limited such refund bonds to a term of twenty years, and required the levy of a special tax up to five mills annually to be applied exclusively to the payment of the interest and principal.[46] In 1881, school districts with the other civil divisions were empowered to refund *any* maturing bonds by a reissue of bonds redeemable after five and not later than twenty years.[47] Another act of the same year permitted such refunding at or before maturity "at the same or lower rate of interest," such new bonds to be limited to a term of twenty years.[48] In 1899 the term of such refunding bonds was extended to thirty years.[49] Thus it has been made easier for school districts to procrastinate and to allow debts to remain unpaid while the buildings for which the debts were incurred deteriorated or became antiquated. The fact that such refunding legislation was necessary when the law so clearly required that ample provision be made to retire debts at maturity shows that school districts were neglecting to build up the necessary sinking funds.

It should be noted that neither the Constitution of 1873 nor the Act of 1874 specified the purposes for which debts could be incurred or increased other than the provision already cited for refunding "existing indebtedness." The act defined indebtedness in Section 5 as follows:

> The word "indebtedness" used in this act shall be deemed, held and taken to include all and all manner of debt, as well floating as funded, of the said municipality; and the net amount of such indebtedness shall be ascertained by deducting from the gross amount thereof the moneys in the treasury, all outstanding solvent debts, and all revenue applicable within one year to the payment of the same.

Since there was no repeal of the borrowing provisions contained in the fundamental Act of 1854, the purposes for which money

---

[45] Act of April 20, 1874, Section 7, (P. L. 65).
[46] Act of May 18, 1876, (P. L. 128).
[47] Act of April 14, 1881, (P. L. 10).
[48] Act of May 10, 1881, (P. L. 16).
[49] Act of March 11, 1899, (P. L. 6).

could be borrowed on long term loans continued until 1911 to be "erecting school houses or purchasing grounds whereon to erect school houses."

4. School Borrowing Legislation 1911 to Date

The School Code as originally adopted in 1911 provided for two classes of debt, viz: long term debts evidenced by bonds, and temporary debts evidenced by certificates of indebtedness. The provision for long term debts follows:

Section 506. The Board of school directors in any school district of this Commonwealth, in any year, in order to purchase or acquire proper sites or grounds for school buildings, or lands additional to any present school sites or grounds, or to erect, enlarge, equip or furnish any school building, or to repair or build any new or old building, or in order to refund any existing indebtedness of any school district, or to pay any indebtedness incurred by any municipality for or on account of any school district or for school purposes, as is herein required to be assumed by any school district hereby established, or to refund as herein authorized to any municipality the amount of any such indebtedness, may create and incur an indebtedness against any such school district and issue bonds to secure the same, for any and all such purposes, or may create and incur an increase of any existing indebtedness against any such school district, for any and all such purposes to any amount that the total indebtedness against any such school district, including the indebtedness of any sub-school or ward-school district therein, if any, shall never exceed seven per centum upon the assessed value of the taxable property for school purposes therein; such indebtedness or increase of indebtedness shall be incurred and bonds issued therefor, only at the time of assessing and levying the annual school taxes.

Section 507. All bonds issued by any school district of this Commonwealth, after the approval of this act, shall be made payable and become due at stated periods, not exceeding thirty years after the date thereof, and the school district issuing the same shall, in its annual tax levy, provide, in such manner and at such times as it may determine, for the payment thereof within thirty years with interest: Provided, That any school district hereafter issuing bonds may provide therein for its right to anticipate the payment thereof at such stated times as it may deem proper.

The purposes herein stipulated are distinctly capital outlay. Whether or not "existing indebtedness" as stated in Section

506 is general in its application, or is specifically limited to indebtedness outstanding on May 18, 1911, the date of approval of the original Code, is for the courts to decide; and so far as the writer is aware the question has not been brought before them. There is at least some doubt whether the refunding of debts by the issue of new bonds is legal, if such debts were incurred subsequent to the enactment of the present Code, since such debts can need refunding only because of failure to have done what the law specifically requires in the way of tax levy for the accumulation of a fund to meet payments when due.

These provisions for bonded debt have continued essentially unaltered from 1911 to date. In 1915 the limitation upon the time when debts might be incurred as given in the last clause of Section 506 was removed; and debts may now be incurred at any time of the year, regardless of the time of levying taxes.[50] And in 1921, as will shortly be shown, certain temporary debts were made fundable.

The Code of 1911 permitted a second type of indebtedness to be evidenced by "certificates of indebtedness." This provision follows:

Section 508. Any school district having no indebtedness or whose indebtedness is less than two (2) per centum of the total valuation of the taxable property for school purposes therein, may at any time, by or through its board of school directors incur, in addition to any bonds herein authorized, a temporary debt, or borrow money, which in school districts of the first and second class shall not exceed two-tenths of one (1) per centum, and in school districts of the third and fourth class one-half of one (1) per centum, of the total amount of taxable property in such school district, and issue an obligation therefor under the seal of the district, if any, properly attested by the president and secretary thereof, payable within two years from the date thereof, and bearing interest not exceeding the legal rate, but no such obligation shall be sold at less than par: Provided, That the incurring of any such temporary debt, or borrowing money upon such obligation, shall receive the affirmative vote of at least two-thirds of the members of the board of school directors therein: Provided further, That the total amount of all indebtedness in any school district issuing such obligations shall not, at any time, including

[50] Act of June 4, 1915, (P. L. 844).

all such obligations, exceed two per centum of the total valuation of the taxable property therein; Provided further, That all such obligations issued by any school district as herein provided, shall be paid by the district on or before becoming due, and shall not be extended or renewed; Provided further, That any school district incurring any temporary debt or issuing such obligations in the manner herein provided, shall provide from its current revenues for the payment of the same.

These provisions are very definite and specific. Nevertheless these short term debts soon became a serious problem. Under this law it is an easy matter, of course, to pay off certificates of indebtedness from the revenues of one year and then issue new certificates for a deficit in the general account for that year. In this way temporary loans, quite within the law, may be pyramided from year to year, and the limit fixed by law may soon be reached. In 1919 the limits for first- and second-class districts were advanced from two-tenths to four-tenths of one per cent, and for third- and fourth-class districts from one-half of one per cent to one per cent. Then in 1921, on account of the imperative demand for revenue to meet advancing minimum salaries, districts were permitted to fund by bond issues such temporary debts as were outstanding on December 31, 1921.[51] Thus a part of the existing bonded debt of school districts in Pennsylvania consists of such funded temporary debts, which originally grew out of current expenses.

Important Constitutional amendments affecting municipal indebtedness that were made during this period need attention. Section 8 of Article IX has from time to time been modified to increase the borrowing capacity of the city of Philadelphia. In 1913, Section 15 was added to Article IX providing, *inter alia*, that "any of the said municipalities or counties may incur indebtedness in excess of seven per centum, and not exceeding ten per centum, of the assessed valuation of the taxable property therein, if such increase of indebtedness shall have been assented to by three-fifths of the electors voting at a public election in such manner as shall be provided by law."[52] The Act of June

[51] Act of May 20, 1921, (P. L. 954).

[52] Constitution Article IX, Section 15, Penna. State Manual, 1923–24, p. 292.

5, 1915 provided the machinery for carrying this amendment into effect. The Attorney General interpreted this amendment and law as applying to school districts as well,[53] but the Supreme Court has ruled that school districts are not municipalities in the sense intended in this section of the Constitution.[54] The upper limit for school district indebtedness, therefore, remains at seven per cent of the value of the taxable property in the respective districts.

Another interesting question merits consideration in a discussion of the Constitutional debt limitations. Does the school board of a district have the power to incur indebtedness for the district up to two per cent of the assessed valuation at any time without the consent of the electors, so long as the total indebtedness of the district does not exceed seven per cent; or are the directors bound to receive the consent of the electors for all indebtedness, no matter how small or large it may be, if the total debt of the district exceeds two per cent of the valuation? In other words, do the directors of a district always have the power to borrow within two per cent of the valuation on their own responsibility, so long as with the assent of the electors they borrow not to exceed five per cent of the valuation?

The question in this precise form has not yet, to the writer's knowledge, reached the courts. It has been referred to the Department of Public Instruction, however, on an issue raised in Allegheny County. Judge Johnson, recently advisor of the Department in legal matters, gave it as his opinion that "to incur or increase an indebtedness from two per centum to seven per centum it is necessary to secure the assent of the electors of the school district. But the school directors have at all times a borrowing capacity of two per centum, and if the board has not exhausted this borrowing capacity of two per centum it may exercise it at any time so long as the whole amount of the indebtedness does not exceed seven per centum."[55] The importance of the question can readily be seen. When voters consider the question of increasing the debt of a school district, are they

---

[53] S. C. (1919), note appended to Section 506.

[54] Long vs. Cheltenham Twp. S. D. appel., 269 Pa. 472, 1921.

[55] Department of Public Instruction, Opinion No. 159, April 27, 1923.

not likely to believe that they are voting to determine the upper limit of the district's indebtedness? And if thereafter the directors exceed this limit, do they not break faith with the people? An authoritative decision by the Supreme Court of the State is needed to settle the matter. It seems reasonable to contend, however, that once the indebtendess of a district has exceeded two per cent of the assessed valuation no further increase of indebtedness, whether bonded or even temporary, is legal without the consent of a majority of the electors of the district.

Before closing this chapter it will be profitable as showing the trend in legislation to note how the problem of municipal indebtedness was provided for in the draft of the revised Constitution as proposed by the Constitutional Commission in 1920. These provisions are contained in Article XIII. The limits of debt without and with the assent of the electors were advanced from two per cent and seven per cent respectively to three per cent and ten per cent respectively. The time limit of bonds evidencing such debt was advanced from thirty to fifty years. Alternative methods of providing for redemption of bonds were fixed as follows: 1. Sufficient annual tax to provide either for equal annual payments of interest and for principal; or 2. For a sinking fund that will provide annually for the interest and not less than three per cent of the principal.[56]

In all of this legislation it is evident that the trend is toward making it easier to borrow, and toward delaying the time of redemption regardless of the life of the improvements that the loans may have financed.

5. Summary

This survey of the legislation enacted for school districts with reference to capital outlays and debt service reveals a gradual evolution from an early "pay as you build" policy to the present "bond as you build" policy. In the early years of the State system it was expected that buildings should be paid for out of

[56] Tentative Draft of New Constitution, Article (new) "Municipalities," Report of Commission on Constitutional Amendment and Revision, Vol. II, p. 1084.

the current revenues, and the State assisted either by increased appropriations intended for buildings or by permission to withhold part of the State tax paid by the local district, and to use such funds for building. While in a few cases before 1854 certain school districts were given special permission to borrow, it was in that year that the first general borrowing law for school districts was enacted; with provisions, however, so narrow and restricted that it could not much have encouraged borrowing for long terms nor in large amounts. In the school law of this same year the "building tax" provision strongly encouraged financing building outlays by taxation either through creating a fund before building, or by outright levy at the time the funds were needed.

Between 1854 and 1874, a large number of special acts with varying provisions were needed to relieve certain districts; and in 1871 the courts of common pleas were given power to pass upon petitions of school districts to borrow in excess of the limits allowed by the general law of 1854. By the Act of 1874, carrying out the provisions in the Constitution of 1873, the limits within which school districts might incur indebtedness were very much extended, and the policy regarding indebtedness became much more free and easy. These provisions allow school districts to incur indebtedness up to two per cent of the assessed valuation without the assent of the electors and up to seven per cent with the assent of the electors . These limits are far advanced from the limits of "one-half of one per centum" set in the law of 1854. From time to time legislation has been enacted making it easier to refund maturing bonds in spite of specific stipulations that taxes should be levied to build up the funds necessary to meet bonds when due. Permission was even given to refund temporary debts in 1921, debts which in their nature grew out of the current expense of the schools.

In general it seems fair to conclude that the tendency, as revealed by legislative enactments, has been to make it more and more easy to borrow and to procrastinate in the payment of debts. While the Constitution of the State requires the levy, at the time of creating a debt, of an *annual* tax sufficient to pay it with the interest within thirty years, a provision which may reasonably

be interpreted to mean an even spread of the debt over the period of thirty years, the law now more loosely directs that "the school district . . . in its annual tax levy shall provide . . . for the payment thereof within thirty years with interest." As school costs advanced and the limit of tax rate was reached for current expense, school districts were forced to secure funds for capital outlays, coming as such outlays do in most districts more or less infrequently, by borrowing. The wide extension of the tax limits, as pointed out in the preceding chapter, should make it easier for school districts to finance capital outlays out of the current revenues of a relatively short period of years, and less necessary to borrow for long terms. It probably is not possible nor wholly wise to return to the early "pay as you build" policy; but it is wise to regard borrowing at best as merely a temporary expedient for spreading a debt over a period of years, certainly not longer than the useful life of the school building which it financed, and to be paid within those years.

CHAPTER IV

Statistical Study of Capital Outlays and Debt Service of School Districts in Pennsylvania From 1854 to 1920

Legislation is; after all, only an index; statutes are passed in response to some need, but they may or may not be actually carried out. To know what has really been done by school districts in financing capital outlays in the State, one must have recourse to reports of such districts of actual financial operations. School districts in Pennsylvania have long been required to submit annual financial statements to the Department of Public Instruction on forms prescribed by the Department. The right of the Superintendent to withhold appropriations from districts that fail to report has insured that these reports will be made each year;[1] and the prescription of a form has insured a fair degree of comparability in them. Unfortunately, however, the content of the forms used before the year 1919–20 called for no systematic classification of receipts and expenditures; and while there grew up through custom certain meanings for certain class names as used in these forms, there was no assurance of consistency or uniformity in the use of them.

The material that largely made up the statistical reports of the Superintendent of Public Instruction was gathered from the district reports. In the annual report for quite a long period ending in 1919–20 there was published a comparative "Statement of the School System since Its Establishment under the Present Law." The law in question was the fundamental school law of 1854. The statement does not include Philadelphia. It contains items of organization, attendance and finance for each year from 1854 to the year of the report, and by it the development of the State system in many particulars can be traced. This chapter will seek to find from a study of this Statement

[1] Note: This right is perhaps open to question. The statement is based upon the requirement of the law (S. C. Section 3006, par. b,) that orders for the district shares of the State appropriation require the signature of the Superintendent of Public Instruction.

what trends may be revealed for the period from 1854 to 1919 as to expenditures for capital outlays and the sources of income of school districts that might have helped to finance these outlays.

From the Statement as published in the report "Statistics of Public Schools" for the year 1919–20 certain classes of data are included in Table III.[2] There is given the average tax rate for ordinary school purposes for the entire State in each year except 1854 and 1855. Since every school district in the State had a school tax, this is very likely a true average. There is given also an average of the tax levied for building purposes for each year, except 1854 and 1855, down to 1912, at which time the present Code requiring a single tax levy became operative. This is not, however, a true average for the State at large, since only those districts that had such a levy are included in the average. For example, in the report for 1903, to take a year at random, only 1013 of 2544 districts reported the levy of a building tax. Further; this average for the two tax rates is not a weighted average: it was found simply by totaling the district averages and dividing by the number of averages.

The Statement also gives the "taxes levied" for each year from 1854 to 1920. Unfortunately there is no indication in the reports of how much of this tax was actually collected. In the report for 1919–20, which is more detailed and carefully worked out, the taxes reported as received are $86,666 more than the taxes reported in the Statement as levied for that year. It is likely, however, that the tax collections in most of the early years fell short of the tax levies.

There is also in the Statement a column headed "Total Receipts except State Appropriations." The significance of this item for the purposes of this study will be discussed later. There is, too, a column headed in the later reports "Cost of Buildings, etc." In the earlier reports this column was headed variously, but usually in the form, "Cost of school houses, purchasing, building, renting, etc." Presumably this was intended

---

[2] Note: The data here have been gathered from the volume, "Statistics of Public Schools, 1919–20, 1920–21"; the volume, "Annual Statistical Report of the State Superintendent, 1921–22"; the manuscript of the unpublished report "Statistical Report" for 1922–23, and certain data obtained by correspondence with the Department for the year 1923–24.

to include only outlays for new buildings or improvements in old buildings. To what extent this distinction was observed in the district reports it is impossible to say; but it is probably safe to take the growth of this item as a fair index of the growth of building outlays. Of course, "cost" as used in this phrase "cost of buildings, etc." means merely the cash outlays made for buildings in any year, and not cost in the economic sense. It seems best here to retain the term as used in the district reports.

For more convenient study, the data included in Table III are grouped in four-year periods beginning with 1857 and ending with 1920, and in the derived tables to be used later averages will be taken for these four-year periods. On account of the lack of some of the items for 1854 and 1855, the first period of three years will be disregarded. Table III follows:

TABLE III

STATEMENT OF THE SCHOOL SYSTEM SINCE ITS ESTABLISHMENT UNDER THE PRESENT LAW (NOT INCLUDING PHILADELPHIA) (ABRIDGED)

1	2	3	4	5	6
YEAR	NO. OF MILLS FOR SCHOOL	NO. OF MILLS FOR BUILDING	TAXES LEVIED	TOTAL RECEIPTS EXCEPT STATE APPROPRIATION	COST OF BUILDINGS ETC.
1854	....	....	$1,167,119	.....	$256,735
1855	....	....	1,401,300	1,127,922	266,198
1856	5.50	3.25	1,603,844	1,371,706	322,125
1857	5.72	3.50	1,180,143	1,534,732	444,285
1858	5.71	3.46	2,009,437	1,554,780	454,343
1859	5.43	3.17	2,039,084	1,621,379	531,413
1860	5.43	3.25	2,015,785	1,639,383	448,426
1861	3.55	3.63	2,108,487	1,783,114	496,124
1862	4.75	3.47	1,965,164	1,756,307	305,796
1863	4.00	3.03	1,980,473	1,797,347	394,767
1864	5.00	3.27	2,143,348	2,016,310	488,517
1865	5.89	3.63	2,438,640	2,318,069	374,450
1866	6.56	4.53	3,013,057	2,801,759	596,669
1867	7.25	5.04	3,616,285	3,489,237	985,237
1868	7.53	5.51	4,016,919	4,314,628	1,357,726

1	2	3	4	5	6
1869	7.63	6.30	4,438,946	5,068,316	1,104,860
1870	7.76	5.39	4,731,949	5,684,977	2,500,137
1871	7.71	6.58	5,016,801	6,023,451	3,006,194
1872	7.27	5.06	5,229,024	5,438,656	2,536,637
1873	7.50	4.30	5,543,985	6,671,949	1,477,949
1874	7.55	5.02	5,787,883	6,808,917	1,600,131
1875	6.33	5.14	5,983,004	7,247,263	1,722,103
1876	6.27	3.89	6,003,443	6,918,811	1,245,387
1877	5.96	3.75	6,627,943	6,623,273	961,915
1878	5.42	2.30	5,289,646	6,229,714	877,382
1879	5.08	3.12	4,923,874	6,282,110	878,808
1880	5.04	2.90	4,818,594	5,859,009	809,896
1881	5.08	3.21	5,031,779	6,499,120	1,067,471
1882	5.39	4.26	5,452,902	6,686,256	1,139,355
1883	5.69	3.61	5,676,545	7,365,217	1,431,670
1884	6.06	3.61	6,313,832	7,623,678	1,405,526
1885	6.14	3.50	6,519,927	8,095,942	1,566,323
1886	6.16	3.55	6,672,185	8,105,866	1,537,565
1887	5.94	4.34	6,946,949	8,845,087	1,461,673
1888	7.64	3.34	7,134,701	8,836,053	1,642,961
1889	6.19	3.13	7,689,505	9,008,852	1,799,121
1890	5.88	3.34	7,923,622	9,581,095	2,131,095
1891	5.86	3.22	8,961,137	8,450,909	2,982,607
1892	5.86	3.47	8,187,893	10,820,029	2,378,780
1893	4.54	2.74	7,776,101	10,289,197	2,979,271
1894	4.40	3.20	8,677,582	11,131,332	2,834,091
1895	4.52	2.75	9,598,542	12,058,899	3,182,749
1896	4.99	2.88	9,926,162	12,424,198	3,297,416
1897	4.83	2.88	9,351,011	13,528,246	3,296,294
1898	3.14	1.64	9,275,229	13,276,078	2,933,843
1899	3.78	2.58	10,078,540	13,992,397	2,736,897
1900	5.12	2.64	10,500,962	15,244,091	3,061,523
1901	5.18	2.77	10,887,613	16,314,489	3,394,531
1902	5.23	2.88	12,687,415	20,786,954	3,186,783
1903	5.51	2.95	17,781,589	17,781,589	3,647,771
1904	5.85	1.52	13,085,707	18,860,273	3,675,240
1905	6.29	1.49	14,866,554	21,480,604	4,581,273
1906	6.65	1.60	15,981,970	23,196,386	4,730,329
1907	6.85	1.63	15,981,970	23,918,787	4,306,677
1908	6.77	1.31	19,114,954	26,278,511	4,764,532
1909	7.01	1.47	20,758,275	29,374,551	6,059,450
1910	7.14	1.54	21,019,917	30,264,947	5,933,886
1911	6.89	1.35	22,172,202	33,548,310	6,525,256
1912	7.43	1.05	22,537,751	34,518,976	6,033,441

1	2	3	4	5	6
1913	8.72	....	25,461,020	37,830,308	6,196,080
1914	8.79	....	28,360,778	46,546,069	7,660,992
1915	9.09	....	27,329,841	49,735,820	10,558,537
1916	9.60	....	30,275,411	51,206,154	9,751,450
1917	9.93	....	33,743,188	58,311,139	10,668,351
1918	10.61	....	39,444,646	60,747,970	9,589,385
1919	11.45	....	41,364,430	65,056,610	9,052,492
1920	12.30	....	46,558,493	83,385,411	7,499,565

1. The Trend of Capital Outlays, 1857–1920

In order to determine the trend of capital outlays for the period since the general law of 1854, the summary given for the annual "cost of buildings, etc." may be used. In Table IV the data given in the reports for each year have been averaged for the four-year periods. Table IV follows:

TABLE IV

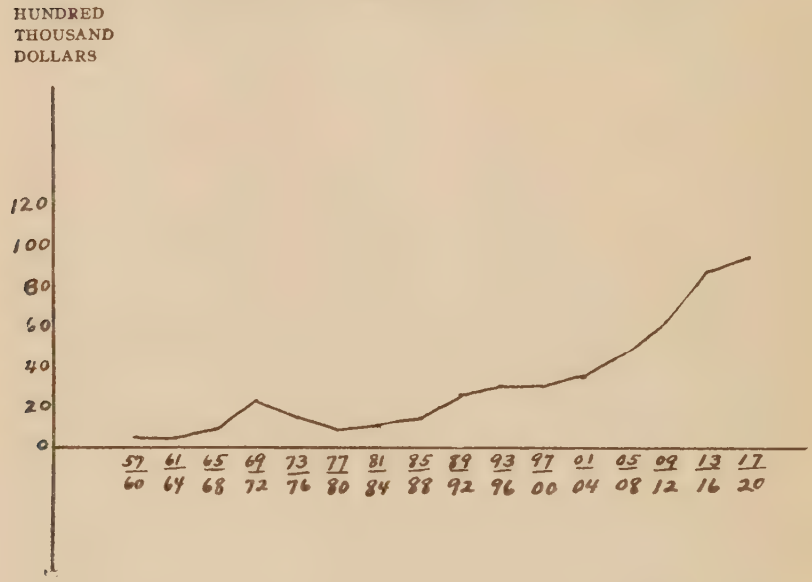
AVERAGE ANNUAL COST OF BUILDINGS, ETC., BY FOUR-YEAR PERIODS, 1857–1920

PERIOD	AVERAGE ANNUAL COST OF BUILDINGS, ETC.	PERIOD	AVERAGE ANNUAL COST OF BUILDINGS, ETC.
1857–60.....	$469,617	1889–92.....	$2,322,901
1861–64.....	421,301	1893–96.....	3,073,382
1865–68.....	828,521	1897–00.....	3,007,139
1869–72.....	2,286,957	1901–04.....	3,476,081
1873–76.....	1,511,393	1905–08.....	4,595,703
1877–80.....	882,000	1909–12.....	6,138,008
1881–84.....	1,261,006	1913–16.....	8,541,765
1885–88.....	1,552,131	1917–20.....	9,202,448

The data of this table reveal the trend of building better as shown in Chart I, which follows:

CHART 1

GROWTH OF AVERAGE ANNUAL COST OF BUILDINGS, ETC.
1857–1920



If the assumption is correct that by far the major portion of the expenditures reported under "cost of buildings, etc." was for new buildings or for improvements upon old buildings, then the general direction and slope of this curve fairly represent the growth of capital outlays over the period under study. There was evidently a marked rise after the close of the Civil War followed by a decline that lasted until 1880. Table III shows that this rise really began in 1866, when the amount was greater than at any time before, and continued until 1871, after which there was an almost continuous decline until 1880. From this date on there has been an almost continuous rise in the expenditures for buildings, and this rise has been especially marked since 1904, as shown by the slope of the curve. It has been con-

siderably retarded in the years following our entrance into the World War.

2. How the Increasing Outlays Have Been Financed

Outlays for buildings form only one class of the increasing expenditures for schools. Other costs probably rose in about the same proportions. How have these increasing outlays been met. To answer this for the period under study is not easy; indeed, it probably cannot be answered directly and fully. We can, however, approach the problem indirectly, and gain a fair idea of how the money was otained to meet the increasing costs of the schools.

First, it will be well to study the progress of the tax rates from 1857 to 1920. It will be recalled that the law until 1911 made possible two tax rates, the ordinary tax and the building tax. Table V gives the average of these tax rates by four-year periods from 1857 to 1920, and Chart II shows the same information graphically.

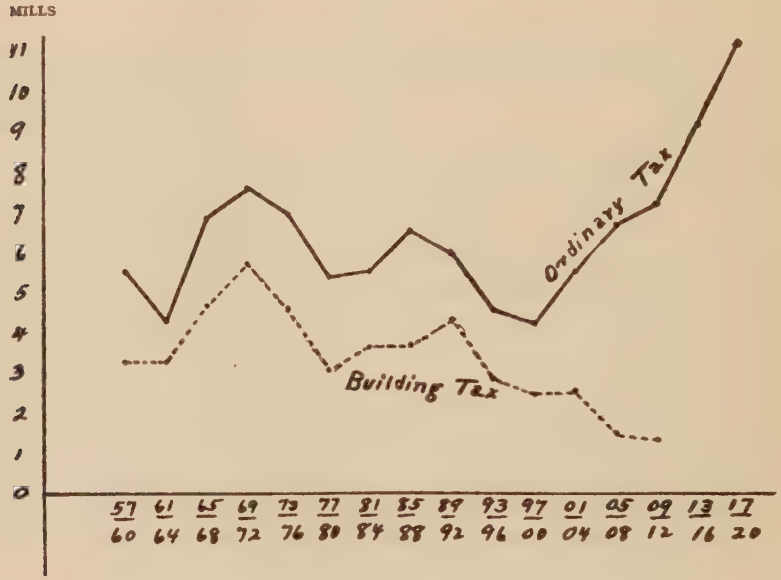
TABLE V

AVERAGE TAX RATES BY FOUR-YEAR PERIODS, 1857–1920

PERIOD	AVERAGE ORDINARY TAX RATE	AVERAGE BUILDING TAX RATE	PERIOD	AVERAGE ORDINARY TAX RATE	AVERAGE BUILDING TAX RATE
1857–60.....	$5.57	$3.35	1889–92....	$5.95	$4.29
1861–64.....	4.33	3.35	1893–96....	4.61	2.89
1865–68.....	6.81	4.68	1897–00....	4.22	2.44
1869–72.....	7.59	5.83	1901–04....	5.44	2.53
1873–76.....	6.91	4.59	1905–08....	6.64	1.51
1877–80.....	5.38	3.02	1909–12....	7.12	1.35
1881–84.....	5.56	3.67	1913–16....	9.05	....
1885–88.....	6.47	3.68	1917–20....	11.07	....

CHART II

PROGRESS OF TAX RATES, AVERAGED FOR FOUR-YEARS PERIOD
1857–1920



It has already been pointed out that the building tax was not levied by all the districts of the State, and the averages given do not represent a true State average. There is a remarkably close parallel between the progress of the two tax rates until about 1900. Since that year there has been a rapid rise in the ordinary tax rate but a continued decrease in the building tax rate until its final disappearance in 1912, when the School Code became operative. While in general the two tax averages have had a downward trend from 1869–72 to 1897–1900, there was a slight rise in the period 1881–84. The curve for "Cost of building, etc.," as given in Chart I, closely parallels the curves for the tax rates as given in Chart II until the period 1885–88 for the ordinary tax and 1889–92 for the building tax. After these periods, while the "cost" curve rapidly rises, the "tax" curves steadily fall until 1900 when the ordinary tax rate began its rapid rise. The building tax rate as shown continued to fall.

The tax rate alone, however, cannot be depended upon to tell the whole tax story; assessed valuations are necessary. From the column "Taxes Levied" in Table III there appear times (1872, for example,) when there was an increase in the amount of taxes levied although there was a decrease in the average tax rate. This can be explained by the facts that the average tax rate is not a weighted average and that changes in valuations might have occurred. But in general it seems reasonable to conclude from the progress of the curves in Charts I and II that districts after the period 1869–72 were depending upon income other than taxes to finance the growing cost of buildings.

This fact becomes apparent by a comparison of the column which shows the totals of taxes levied and the totals of all receipts except State appropriations in Table III. The differences between these columns are significant. In order to appreciate this significance it is necessary to digress for a little to study the sources of income of school districts and the relative importance of each source.

There are in general but two sources of income open to school districts in Pennsylvania. Of these, of course, local taxation is the chief, and the State appropriation is the second. In addition there are several minor sources of income such as rentals, tuition fees of non-resident pupils, sales of supplies and property, etc. Then there is a fictitious income represented by loans and bond sales—fictitious because such loans must ultimately be covered by taxation. To get a basis for judging the relative importance of these sources, we may use the more detailed reports published since 1919–20 to determine the proportion of each dollar of income that comes from each source. Tables VI and VII show the distribution of income (not including balances carried over from one year to the next,) for the five years ending respectively 1920, 1921, 1922, 1923, and 1924, and the averages for the five years; and Chart III shows the proportion of each dollar of income that comes from each source. The data for Table VI have been taken from three published and two as yet unpublished reports of the Department of Public Instruction. These tables and chart follow:

TABLE VI

DISTRIBUTION OF TOTAL INCOME OF SCHOOL DISTRICTS, (NOT INCLUDING BALANCES,) 1919–20 to 1923–24

YEAR	TAXES	STATE APPROP'N	LOANS AND BOND SALES	OTHER RECEIPTS	TOTAL RECEIPTS
1919–20....	$57,741,957	$10,836,019	$11,638,999	$4,320,296	$84,537,271
1920–21....	74,557,809	8,850,346	23,427,542	5,185,971	112,021,668
1921–22....	84,013,410	12,895,179	30,936,606	6,217,335	134,062,530
1922–23....	98,606,557	17,488,447	35,566,995	7,562,648	159,224,647
1923–24....	105,866,861	26,044,267	29,715,169	8,135,723	169,762,020
Average....	84,157,319	15,222,852	26,257,062	6,284,395	131,921,627

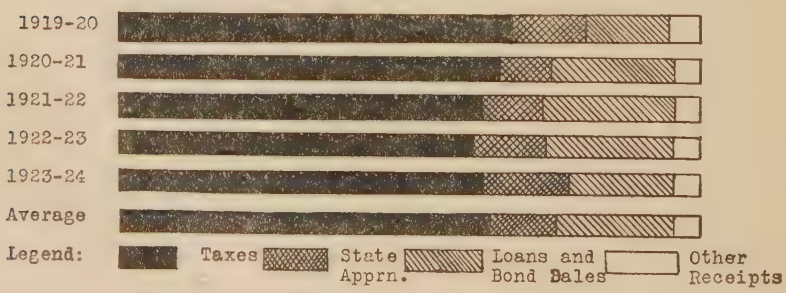
TABLE VII

PERCENTAGE DISTRIBUTION OF TOTAL INCOME OF SCHOOL DISTRICTS (NOT INCLUDING BALANCES), 1919–20 to 1923–24

YEAR	TAXES	STATE APPROP'N	LOANS AND BOND SALES	OTHER RECEIPTS	TOTAL RECEIPTS
1919–20....	68.3	12.8	13.8	5.1	100.0
1920–21....	66.6	7.9	20.9	4.6	100.0
1921–22....	62.7	9.6	23.1	4.6	100.0
1922–23....	61.9	11.0	22.3	4.8	100.0
1923–24....	62.4	15.3	17.5	4.8	100.0
Average....	63.8	11.5	19.9	4.8	100.0

CHART III

PROPORTION OF EACH DOLLAR OF INCOME FROM EACH SOURCE, 1919–20 TO 1923–24



It is evident from a study of these tables and of this chart that "other receipts" have in recent years been of minor importance, and that the three major classes of receipts, while varying among themselves, together represent about 95 per cent of the total receipts. This fact will help in analyzing receipts as reported prior to 1919–20. It is probable that the distribution of income for some time prior to that year was in about the same proportions as the distribution since as shown in these tables and chart, except that the larger State appropriations in the recent years would change the percentage distribution slightly. But if allowance is made for this it will serve to increase rather than to decrease the percentage of receipts from loans and bond sales and from taxes.

We may use these facts to examine again Table III. The column headed "total receipts except State appropriation" must include "taxes," "receipts from loans and bond sales," and "other receipts." As already said, these earlier reports do not give the amounts of taxes actually received. In the main, they were likely to be less rather than more than the taxes actually levied. If, therefore, we deduct from the "total receipts except State appropriation" the amounts of the taxes levied the difference should represent approximately the receipts from "loans and bond sales" and "other receipts" and where this difference is large, the major portion by far is probably receipts from "loans and bond sales." Thus the growth of these differences over the entire period, while not giving an absolute measure of the amounts borrowed, will show roughly when and to what extent borrowing has been done by school districts.

Table VIII shows these differences averaged for four-year periods over the time from 1857 to 1920, and Chart IV shows the changes in these average differences over the period of sixty-four years.

TABLE VIII

AVERAGE ANNUAL DIFFERENCES BETWEEN TOTAL RECEIPTS EXCEPT STATE APPROPRIATIONS AND TAXES LEVIED, AVERAGED FOR FOUR-YEAR PERIODS FROM 1857 TO 1920

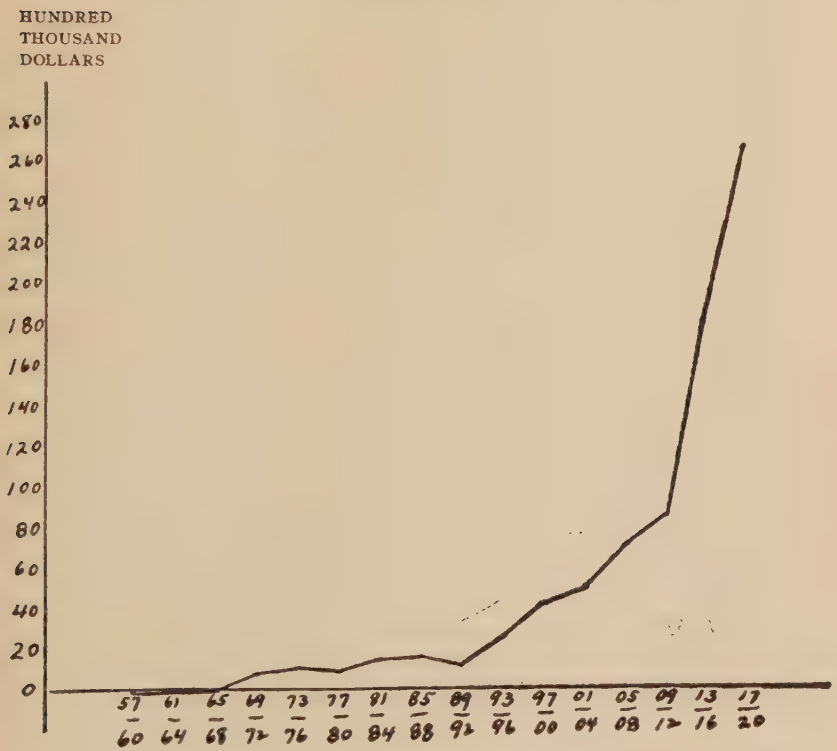
PERIODS	AVERAGE DIFFERENCES	PERIODS	AVERAGE DIFFERENCES
1857–60	– $223,544	1889–92	$1,274,682
1861–64	– 211,094	1893–96	2,481,310
1865–68	– 40,302	1897–00	4,211,268
1869–72	699,670	1901–04	4,825,245
1873–76	1,082,156	1905–08	7,038,535
1877–80	833,512	1909–12	10,304,660
1881–84	1,424,803	1913–16	18,475,323
1885–88	1,652,297	1917–20	26,597,591

This table and chart show that there could not have been much borrowing by school districts prior to 1869; and that the early policy of the State, even down to the close of the Civil War, was a "pay as you build" policy. The negative differences in the first three periods probably mean that the tax receipts were not equal to the tax levies. Table III shows that except for the year 1857 the "taxes levied" exceeded the "total receipts except State appropriation" each year until 1868: beginning with that year the reverse is true. It is safe to conclude that in the years prior to 1869 there could not have been much borrowing. It will be remembered that up to 1871, when the courts were empowered to sanction loans by school districts that were in excess of the one-half of one per cent of the valuation allowed by the law of 1854, there were 336 special borrowing acts passed for school districts. This is not a large number, however, when one bears in mind that there were in 1870 a total of 2001 districts in the State. The school debt of the State in 1854, as pointed out in the previous chapter, was probably much less than $100,000. What it was at any time in later years it is not possible to determine exactly from published data; but from Chart IV it is fair to conclude that the present large debt had its beginning about 1870, or a little later, when, as shown in the study of borrowing legislation in the preceding chapter, courts

were given power to sanction loans and the present State Constitution was adopted, with its more extended provisions for borrowing, and the rapid increase began about 1893 with the increase in high schools.

CHART IV

GROWTH OF AVERAGE ANNUAL DIFFERENCES BETWEEN TOTAL RECEIPTS EXCEPT STATE APPROPRIATIONS AND TAXES LEVIED, AVERAGED FOR FOUR-YEAR PERIODS FROM 1857 TO 1920



There is a very close parallel between the curves in Charts I and IV until the period 1909–12, showing that capital outlays and borrowing have kept together. In Chart IV the curve shows a rapid increase in the probable amounts that were borrowed from

the period 1893–96, an increase that became marked after the period 1901–04. The decidedly upward slope of the curve after 1912 shows that in recent years borrowing by school districts must have reached a high figure.

3. Summary

There are no data available in published form that show how much was spent by school districts in capital outlays or how the funds were secured for such outlays prior to the fiscal year 1919–20. Such data as are available show that "cost of buildings," probably for the most part capital outlays, began to increase after the close of the Civil War, and that, although there was a decline for a few years, this increase has continued since 1880 and has been especially marked since 1904.

To meet these increasing outlays there must have been some income other than taxation because since 1873 there appears to have been a decline in the average tax rates until 1900, since which time the ordinary tax rate has increased, but the building tax rate continued to decline and finally disappeared with the adoption of the present Code in 1911.

These outlays were probably financed since 1870 by borrowed funds. Prior to that year, except for a brief period after the War, there was probably little borrowing done by school districts for long terms; and during these years the outlays for buildings were financed out of current funds. Since 1870 there appears to have set in an increase of borrowing that closely paralleled for a time the rise in building outlays, but soon increased more rapidly. The rapid increase began about 1893 when high schools were authorized in every district of the State, and has been very rapid since about 1909. There is nothing in the earlier reports to show just how large the debt was in any one year; but from those receipts that can be accounted for only by "receipts from loans and bond sales" one is led to expect that by the year 1919–20, when the reports become more detailed and definite, the total of bonded debt had reached a high figure. The study of the recent reports to follow will show this to be the fact.

CHAPTER V

The Public School Bonded Debt of Pennsylvania 1919–1923

The reports of the State Department before that for the year 1919–20 did not, as already pointed out, make possible from them a direct study of the school bonded debt, although the rapid growth of the debt in recent years seems to be indicated by such data as the reports give. The more detailed reports issued since 1919–20, and the standardization and clear definition of classes of receipts and expenditures in the forms used for the district reports have made possible a much more detailed and accurate study of the school debt since that year. In the three Department reports so far published since 1919–20, however, the expenditures for capital outlay, debt service, and some other classes have not been distributed as have those for general control, instruction and operation; and there cannot be made from these reports, even now, a thoroughly detailed study of the school bonded debt. But there is much that can be gathered from them to show the size and the distribution of the debt.

The previous chapter has shown a growth in the receipts of school districts in recent years that could be accounted for only by receipts from loans and bond sales, and a growth in outlays for buildings that closely paralleled these receipts. This growth began about 1871, when the courts were empowered to sanction school district loans and when the new Constitution made more liberal provisions for incurring indebtedness, thus encouraging a "bond as you build" policy; and the growth appears to have been very pronounced in the years from 1893 to 1920. We should expect, therefore, that in 1919–20 the school bonded debt had reached a high figure.

A study of the recent statistical reports shows this to be the case. This chapter will make a study of the debt of school districts as shown by the reports of the Department of Public Instruction. Three of these reports have already been published, and through the courtesy of the Department the writer has been

privileged to examine a copy of the manuscript of the as yet unpublished report for 1922–23. A general study will be made of the school bonded debt for the four years represented in these reports, and a more detailed study of the debt for the year 1921–22, the year of the latest published report. How large is the actual bonded debt of school districts in Pennsylvania? How is it spread over the State as regards population and wealth? How heavily does it bear upon people and property? What tendency is shown by the growth of the debt in recent years? What evidence do the reports give of a definite provision for meeting debts at maturity? These are some of the questions that this chapter will seek to answer.

1. Size and Distribution of the School Bonded Debt, 1919–23

In considering the size of the school bonded debt, it is necessary, of course, to use the net bonded debt. In the discussion of school law it was shown that the real debt of a district is the total debt less any funds in hand or due within one year that are applicable toward paying the debt. But in actual practice the only funds that can be written off against the debt are the amounts that are actually reported in sinking funds. Table IX shows the total in bonds outstanding, the amounts in sinking funds, and the net debt at the close of each fiscal year from 1919-20 to 1922–23 inclusive.

TABLE IX[1]

AMOUNT OF BONDS OUTSTANDING, BALANCE IN SINKING FUNDS, AND NET BONDED INDEBTEDNESS OF SCHOOL DISTRICTS AT CLOSE OF FISCAL YEARS FROM 1919–20 TO 1922-23

YEAR	AMOUNT OUTSTANDING IN BONDS	AMOUNT IN SINKING FUNDS	NET BONDED DEBT
1919–20	$79,641,096	$8,641,917	$70,999,179
1920–21	91,946,848	9,223,756	82,723,092
1921–22	103,825,480	10,121,946	93,703,534
1922–23	121,428,199	11,627,033	109,801,166
Average	99,210,406	9,903,663	89,306,743

[1] From Table IV in "Statistics of Public Schools 1919–20, 1920–21," "Annual Statistical Report of the State Superintendent 1921–22," and manuscript of unpublished report of Department for 1922–23.

One cannot attach much significance to such totals until one has spread them over the State as a whole and has seen how heavily the burden bears. There are three significant criteria that may be used to measure the weight of the debt. It is the people who must be responsible for the debt; it is the assessed valuation of real property that must be taxed to pay the debt and its interest, and that the Constitution uses to define the limits of debt; and it is the children who enjoy the advantages supposedly secured by the debt and who really make the debt necessary. We may, therefore, measure the size and distribution of the debt by the debt per capita, by the ratio of the debt to the assessed value of the real property, and by the debt per pupil in average daily attendance. In determining the debt per capita the national census reports will be used, but allowance must be made, where census estimates are not available, for possible changes in population since January 1920, the date of the last census. The assessed value of real property and the average daily attendance are given in the State reports. In Table X these three measures and the data from which they are computed are given for the four years; and for comparison there is also given the same information for the State of Illinois for the year 1921–22, as given in the volume, "The Public School Debt of Illinois."

The assessed valuation for the year 1920–21 is so out of proportion to the values given for the other years as to cast some doubt upon its accuracy. Making due allowance for possible error in this item, it is evident on the basis of all three criteria that the burden of debt is getting heavier. While it is not safe to judge from so short a period as four years, Chart V which follows shows the progress of the State school debt on the basis of these three criteria.

TABLE X[2]

NET BONDED DEBT FOR PUBLIC SCHOOLS, SHOWING PER CAPITA DEBT ACCORDING TO ESTIMATED POPULATION, RATIO OF DEBT TO ASSESSED VALUE OF REAL PROPERTY, AND PER-PUPIL DEBT ACCORDING TO AVERAGE NUMBER OF PUPILS ATTENDING 1919–20 TO 1922–23

YEAR	NET BONDED DEBT	ESTIMATED[3] POPULATION	DEBT PER CAPITA	ASSESSED VALUE REAL PROPERTY	RATIO OF NET DEBT TO ASSMT.	AVERAGE NUMBER ATTENDING	PER PUPIL BONDED NET DEBT
1919–20	$ 70,999,179	8,774,347	$8.09	$6,443,129,242	.011	1,244,373	$57.06
1920–21	82,723,092	8,883,006	9.31	5,914,102,930	.014	1,345,219	61.49
1921–22	93,703,534	8,991,666	10.42	7,006,700,089	.013	1,448,489	64.69
1922–23	109,801,166	9,100,326	12.06	7,689,708,094	.014	1,276,943	85.99
Average	89,306,743	8,937,336	9.99	6,763,410,089	.013	1,328,756	67.21
Illinois,[4] 1921–22	35,491,232	6,703,312	5.29	8,001,366,030	.004	988,107	35.92

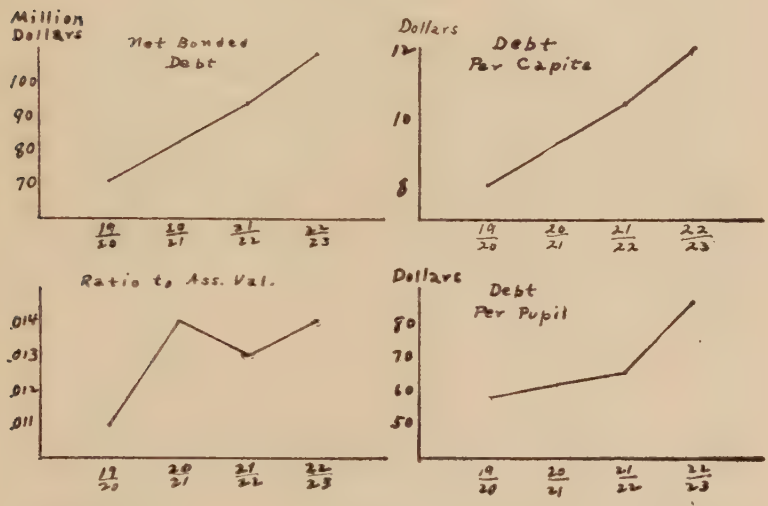
[2] Note: In the statistical reports of the State Department of Public Instruction information on "Bonds Outstanding, Sinking Funds, and Temporary Loans" is given in Table IV; on assessments of property in Table I; and on attendance in Table VII for the years 1919–20 and 1920–21, and in Table VIII for the year 1921–22.

[3] From mimeographed sheet of Census Bureau giving "Estimated Population July 1, 1920 to 1925" by States.

[4] "The Public School Debt of Illinois," pp. 8 and 92.

CHART V

PROGRESS OF NET BONDED DEBT, PER CAPITA NET DEBT, RATIO OF NET DEBT TO ASSESSED VALUE, AND NET DEBT PER PUPIL, 1919-20 TO 1922-23



Comparisons with other States would be very desirable here, but the only comparison possible directly is with the State of Illinois. In all three respects the school bonded debt of Pennsylvania is seen to be greater than that of Illinois for the year 1921–22, and the Pennsylvania Average for the four years is seen to be nearly double the figures for Illinois.

But both Pennsylvania and Illinois are not high in comparison with other States. This can be shown by data from the recent bulletin of the Bureau of Education, "Statistics of State School Systems, 1921–22."[5] Table 16 in this bulletin gives the "Indebtedness, Sinking Funds, and Payments on Indebtedness, 1921–22," for forty-six of the States. Indebtedness here, however, includes "other forms of debt" as well as outstanding bonds. Thirty-four of these States report "outstanding bonds and other forms of debt" and "sinking funds." For the remain-

[5] Bureau of Education Bulletin 1924, No. 31, p. 19.

ing fourteen States, there is either no report on these particular items or the reports are in such form as not to be usable for comparison. Using the estimates of the Census Bureau for population, and the figures from Table 7 of this same bulletin for average daily attendance, the per capita debt and the per pupil debt for these thirty-four States may be computed. Table XI gives the thirty-four States ranked on the basis of per capita debt, and Table XII gives them ranked on the basis of per pupil debt. In both lists Pennsylvania is 19th in order of the thirty-four, there being 18 with per capita or per pupil debt above and 15 below that for Pennsylvania. Illinois is 26th in the per capita list and 25th in the per pupil list. While this list is based upon the total debt, temporary as well as bonded, the major portion of the debt is probably bonded.

TABLE XI

THIRTY-FOUR STATES RANKED IN ORDER OF PER CAPITA NET DEBT, 1921–22

RANK	STATE	PER CAPITA NET DEBT	RANK	STATE	PER CAPITA NET DEBT
1	Wyoming	$31.11	18	New Mexico	$12.76
2	California	26.17	19	PENNSYLVANIA	12.32
3	New Jersey	24.01	20	Oregon	10.55
4	Idaho	23.48	21	South Dakota	8.53
5	Arizona	23.11	22	Missouri	7.67
6	Utah	22.95	23	Wisconsin	7.30
7	North Dakota	22.47	24	New York	6.38
8	Montana	21.89	25	West Virginia	6.04
9	Colorado	20.59	26	Illinois	5.31
10	Minnesota	19.69	27	Mississippi	5.05
11	Nebraska	18.32	28	Maryland	4.19
12	Oklahoma	18.22	29	Vermont	3.78
13	Iowa	17.83	30	New Hampshire	2.95
14	Washington	15.88	31	Alabama	2.77
15	Florida	14.16	32	South Carolina	2.27
16	Michigan	14.09	33	Arkansas	153
17	Indiana	13.20	34	Texas	.58

TABLE XII

THIRTY-FOUR STATES RANKED IN ORDER OF PER PUPIL NET DEBT, 1921–22

RANK	STATE	PER PUPIL NET DEBT	RANK	STATE	PER PUPIL NET DEBT
1	Wyoming	$172.01	18	Indiana	$79.25
2	Arizona	166.40	19	Pennsylvania	76.48
3	California	163.90	20	Oregon	59.74
4	New Jersey	153.23	21	South Dakota	50.79
5	Montana	131.50	22	Wisconsin	46.75
6	Colorado	117.89	23	Missouri	45.39
7	Idaho	115.10	24	New York	44.97
8	Minnesota	108.83	25	Illinois	33.57
9	Utah	101.93	26	Maryland	31.55
10	Iowa	100.10	27	West Virginia	31.51
11	Michigan	96.61	28	Texas	29.44
12	Washington	94.18	29	Vermont	23.88
13	North Dakota	93.02	30	Mississippi	23.26
14	Nebraska	92.45	31	New Hampshire	22.51
15	Oklahoma	89.69	32	Alabama	15.28
16	New Mexico	84.22	33	South Carolina	11.33
17	Florida	80.29	34	Arkansas	7.48

The school debt of Pennsylvania is not spread evenly over the State. This can be shown by the total net debt of the four classes of districts. It will be recalled from Chapter II that districts are classified at present entirely on a population basis. Table XIII distributes the data of Table IX by classes of districts, and shows the proportion of debt chargeable to each class of district.

TABLE XIII

AMOUNT OF BONDS OUTSTANDING, BALANCE IN SINKING FUND, AND NET BONDED DEBT OF SCHOOL DISTRICTS BY CLASSES OF DISTRICTS, AT CLOSE OF FISCAL YEARS, 1919–20 TO 1922–23

YEAR	CLASS	AMOUNT OF BONDS	AMOUNT IN FUND	NET BONDED DEBT	PER CENT OF TOTAL DEBT
19–20	1	$24,256,920	$4,142,013	$20,114,907	28.3
	2	15,684,400	1,633,264	14,151,136	19.9
	3	24,378,433	1,895,000	22,483,433	31.7
	4	15,321,343	1,071,640	14,249,703	20.1
		79,641,096	8,641,917	70,999,179	100.0
20–21	1	21,487,000	4,010,938	17,476,062	21.1
	2	20,878,300	1,714,537	19,163,763	23.2
	3	28,234,954	2,300,088	25,934,866	31.3
	4	21,346,594	1,198,193	20,148,401	24.4
		91,946,848	9,223,756	82,723,092	100.0
21–22	1	28,825,800	4,930,544	23,895,256	25.5
	2	24,858,951	1,915,699	22,943,252	24.5
	3	32,244,760	1,938,774	30,305,986	32.3
	4	17,895,969	1,336,929	16,559,040	17.7
		103,825,480	10,121,946	93,703,534	100.0
22–23	1	32,571,100	4,941,480	27,629,620	25.2
	2	27,440,500	2,460,878	24,973,622	22.7
	3	38,765,335	2,751,460	36,013,875	32.8
	4	22,651,264	1,467,215	21,184,049	19.3
		121,428,199	11,627,133	109,801,166	100.0
Average	1	26,785,205	4,506,244	22,278,961	25.0
	2	22,215,538	1,907,595	20,307,943	22.7
	3	30,905,871	2,221,331	28,684,540	32.1
	4	19,303,792	1,268,494	18,035,298	20.2
		99,210,406	9,903,664	89,306,742	100.0

This table shows that nearly 80 per cent of the debt is chargeable to districts of the first, second and third classes, although these districts number only about 10 per cent of the total number of districts, and include only about 65 per cent of the total population of the State. Taking from the reports the average

of the four years, all of the first- and second-class districts have carried debt in the form of bonds, more than 90 per cent of the third-class districts, and only about 30 per cent of the fourth-class districts.

The growth of cities and boroughs and the increasing demand for additional school accommodations have forced districts of the first, second and third classes to make considerable outlays for buildings, while in the fourth class districts, especially in the rural districts, the decline of population has made building unnecessary or has led the people to be satisfied with the accommodations they may have even though these buildings may be very much out of date and in some cases unfit for use. In the four years here studied the total capital outlay for the State was $61,920,960, and of this 72 per cent was spent by districts of the first, second and third classes which number less than 250, and the remaining 28 per cent was spent by districts of the fourth class. One wonders whether it would not be better for the districts of the fourth class in many cases to be stimulated into building and to finance the undertakings through borrowing.

Using the figures of 1919–20 as a basis, the net bonded debt of first-class districts up to July 1, 1923, had increased 37 per cent, of second-class districts 76 per cent, of third-class districts 60 per cent, and of fourth-class districts 48 per cent, while for the State as a whole the increase was 55 per cent. In this period, of course, the number of second-class districts has increased from 15 to 18, and of third-class districts from 187 to 221. There is evident, however, a general upward trend in the school bonded debt of all classes of districts. It is not possible to tell how much has been borrowed by the issue of bonds in each of these years since the reports give only the total "receipts from loans and bond sales." This includes receipts from temporary loans as well as from bond sales. The total of bonds outstanding increased from 1919–20 to 1920–21 by $12,305,752, from 1920–21 to 1921–22 by $11,878,632, and from 1921–22 to 1922–23 by $17,602,719. It is evident that there is still considerable borrowing going on each year.

What is being done to pay off the debt? The reports of the Department do not give for 1919–20 and 1920–21 the amounts

paid off on the debt. In the report for 1921–22 two classes of payments of bonds are given: $1,353,408 was paid on bonds out of current funds, and $1,898,968 out of sinking funds, or a total payment on bonds of $3,252,376. In the report for the year 1922–23 there is given only the payments from sinking funds, which in that year totaled $2,928,094. The report for "debt service" gives only the undistributed total, and it is not possible to tell how much of it is for temporary debt and how much for bonded debt. Table IX show that from 1919–20 to 1922–23 the totals in sinking funds increased $2,985,216, or an average for the three years of $995,072. When this average increase in sinking funds is added to a possible $3,000,000 paid on bonds either out of current funds or out of sinking funds, it seems safe to estimate that the probable annual provision to meet the bonded debt is not above $4,000,000. From 1919–20 to 1922–23 the total increase of bonds outstanding was $41,787,-103, or an average increase for the three years of approximately $14,000,000. While it is not possible to state the increase in exact figures, it is evident that the borrowings annually are much greater than the provision that is being made to meet maturing bonds.

2. Study of the Bonded Debt, 1921–22

A better idea of the distribution and the tendency in bonded debt can be had from a detailed study of the statistics for one year. The statistics for the year 1921–22 have been chosen because they are those most recently published. It will be recalled that the total of bonds outstanding at the close of the fiscal year 1921–22 was $103,825,480, and that the net debt was $93,703,534. A way to find the geographical distribution of this debt is to find by counties the per capita and per pupil debt and the ratio of the debt to the assessed valuation. In the State reports only the fourth-class districts are grouped by counties. It is necessary, therefore, to add the data for districts of the first, second and third classes to those of the fourth-class districts in their respective counties, and to compute the averages from the combined figures. But even within a county there are

often marked differences in the ability of districts, and since there is no county unit of administration in the State, distribution by counties alone will not truly represent the whole situation. Twelve counties will, therefore, be chosen for a more detailed study by districts.

The estimated population of each county has been computed on the plan used by the Census Bureau in making estimates of population for States and cities between census dates.[6] In using the plan here it is assumed that the tendency toward gain or loss shown by any county prior to 1920 has continued since that date. From January 1, 1920, the date of the last census, to July 1, 1922 is a period of thirty months. The estimated increase or decrease for each county is obtained by dividing the increase or decrease from 1910 to 1920 by 116.5, the number of months in that census period, and multiplying the result by 30; or briefly, multiplying by the factor .02575. The net debt, the average daily attendance, and the assessed value of real property are taken from the Statistical Report of the Department of Public Instruction for 1921–22. The per capita debt, the per pupil debt, and the ratio of debt to assessed valuation have been computed. These data are all brought together in Table XIV.

In order to study the variations among the counties better they are regrouped in Table XV ranked in the first column on the basis of net debt per capita, in the second column on the basis of net debt per pupil in average daily attendance, and in the third column on the basis of the ratio between the net debt and the assessed valuation. Four divisions are made with 16 counties in the highest division and 17 in each of the other three divisions.

---

[6] "The method used by this Bureau in computing estimates of population is based upon the assumption that the increase each year since 1920 is equal to the annual increase from 1910 to 1920, as shown by the returns of the two Federal censuses. The annual increase from 1910 to 1920 is obtained by dividing the total increase by 116.5, the number of months elapsing between the two enumerations, and multiplying the quotient, by 12, allowance being made in the city estimates for any annexations or detachment of territory that may have been made, of which this Bureau has been advised." Excerpt from letter from Bureau to the writer, March 17, 1925.

TABLE XIV

ESTIMATED POPULATION, NET BONDED INDEBTEDNESS AND PER CAPITA NET BONDED DEBT BY COUNTIES JULY 1, 1922

COUNTIES	ESTIMATED POPULATION	NET BONDED DEBT	NET DEBT PER CAPITA	AVERAGE DAILY ATTENDANCE	NET DEBT PER PUPIL	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION
Adams	34,651	$44,171	$1.27	5,534	$7.98	$16,681,694	.0012
Allegheny	1,228,899	20,199,619	16.44	77,936	113.52	1,352,854,442	.0149
Armstrong	77,548	278,023	3.58	15,439	18.01	18,467,024	.0151
Beaver	120,188	1,429,060	11.89	20,836	68.59	65,333,845	.0219
Bedford	38,122*	49,415	1.30	8,124	6.08	9,661,842	.0051
Berks	205,394	2,085,501	10.15	31,953	65.27	154,687,434	.0135
Blair	133,349	1,544,100	11.58	22,621	68.26	59,709,342	.0159
Bradford	52,816*	300,201	5.68	9,616	31.22	21,306,115	.01409
Bucks	84,007	278,580	3.32	14,091	19.77	49,078,663	.00568
Butler	78,450	61,744	1.36	14,858	7.02	35,117,467	.0030
Cambria	206,004	3,311,890	16.07	37,991	87.18	168,202,497	.01969
Cameron	5,950*	1,543	.26	1,281	1.20	5,353,040	.0003
Carbon	65,068	619,925	9.52	10,950	56.61	33,718,818	.0184
Centre	44,531	165,463	3.72	8,893	18.61	24,175,401	.0068
Chester	116,641	988,373	8.47	19,634	50.34	85,716,853	.0115
Clarion	36,049*	44,265	1.23	7,206	6.14	10,203,229	.0043
Clearfield	105,674	609,323	5.77	22,045	27.64	22,011,799	.0277
Clinton	34,073	237,772	6.98	5,637	42.18	13,406,748	.0177
Columbia	48,319*	294,897	6.10	7,451	39.58	17,972,310	.0164
Crawford	60,436*	446,030	7.38	10,671	41.80	26,572,799	.0168

* Decreased in population from 1910 to 1920.

TABLE XIV—*Continued*

COUNTIES	ESTIMATED POPULATION	NET BONDED DEBT	NET DEBT PER CAPITA	AVERAGE DAILY ATTENDANCE	NET DEBT PER PUPIL	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION
Cumberland	59,653	355,748	5.97	10,582	33.62	28,978,561	.0123
Dauphin	157,484	2,421,844	15.38	25,710	94.20	102,816,164	.0236
Delaware	187,292	4,352,279	23.24	25,259	172.31	159,937,382	.0272
Elk	34,752*	113,250	5.39	6,407	29.22	7,676,786	.02439
Erie	163,326	3,450,572	21.23	23,292	148.44	143,573,630	.0247
Fayette	193,423	1,616,890	8.36	40,717	39.71	102,414,906	.0158
Forest	6,973*	12,442	1.80	1,503	8.28	2,360,040	.0053
Franklin	62,919	499,690	7.94	12,274	40.71	35,603,809	.0140
Fulton	9,525*	4,456	.46	1,803	2.47	2,410,729	.0018
Greene	31,299	80,519	2.57	6,181	1.30	51,018,033	.0016
Huntingdon	40,246	130,422	3.24	7,734	16.86	9,227,576	.0141
Indiana	84,695	175,427	2.07	17,454	15.78	21,449,201	.0129
Jefferson	61,850*	156,445	2.54	13,474	11.61	15,109,492	.0104
Juniata	14,323*	159	.01	2,787	.05	4,789,604	.0000
Lackawanna	293,197	1,916,599	6.54	50,956	37.61	194,370,976	.0097
Lancaster	175,540	1,028,368	5.86	28,443	36.15	110,953,404	.0093
Lawrence	89,540	1,487,308	16.61	17,206	86.44	75,402,871	.01972
Lebanon	64,076	415,545	6.48	10,930	38.02	52,582,911	.0079
Lehigh	155,638	3,052,634	19.61	24,016	127.11	115,079,345	.0265
Luzerne	403,301	5,305,041	13.15	75,918	69.88	345,878,335	.0153
Lycoming	83,689	863,165	10.31	14,225	60.68	35,415,910	.02437
McKean	49,208	222,348	4.52	9,046	24.58	19,951,819	.0111
Mercer	97,931	1,436,338	14.67	17,815	80.62	43,035,865	.0334
Mifflin	32,380	243,236	7.51	6,294	38.65	12,680,436	.0192
Monroe	24,646	135,800	5.51	4,301	31.57	9,875,348	.0138

TABLE XIV—*Continued*

COUNTIES	ESTIMATED POPULATION	NET BONDED DEBT	NET DEBT PER CAPITA	AVERAGE DAILY ATTENDANCE	NET DEBT PER PUPIL	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION
Montgomery	206,963	3,229,302	15.60	30,582	105.60	179,168,600	.0180
Montour	13,877*	15,000	1.08	2,168	6.92	5,172,451	.0029
Northampton	160,160	3,155,541	21.42	25,761	133.17	121,410,035	.0283
Northumberland	124,824	1,336,079	10.70	21,288	62.75	55,721,551	.0240
Perry	22,550*	22,368	.95	4,544	4.92	8,790,388	.00254
Philadelphia	1,893,533	15,523,806	8.20	222,105	69.90	2,136,922,128	.0073
Pike	6,505*	8,200	1.26	1,025	8.00	3,253,117	.00252
Potter	18,864*	45,200	2.39	4,055	11.15	9,352,227	.0048
Schuylkill	220,294	1,605,244	7.29	40,592	39.54	94,953,331	.0169
Snyder	17,215	5,700	.33	3,201	1.78	5,660,512	.0010
Somerset	85,819	357,658	4.17	18,097	19.76	25,204,153	.0142
Sullivan	9,063*	6,833	.75	1,987	.34	3,956,296	.0017
Susquehanna	33,985*	39,617	1.17	6,137	6.46	20,141,892	.0019
Tioga	35,647*	86,187	2.41	7,143	12.07	15,086,404	.0057
Union	15,747*	−934†	−.06†	2,724	−.24	16,344,639	−.0001
Venango	59,916	251,133	4.19	10,129	24.79	28,553,314	.00879
Warren	40,140	198,932	4.95	7,714	25.78	22,607,318	.0088
Washington	200,660	1,529,510	7.62	40,432	37.83	139,894,745	.0109
Wayne	26,971*	75,360	2.79	5,025	15.00	11,745,336	.0064
Westmoreland	284,450	2,301,549	10.07	56,809	50.41	136,088,527	.0210
Wyoming	13,738*	26,306	1.92	2,715	9.69	4,777,248	.0055
York	146,611	434,354	4.25	25,517	24.01	80,385,223	.0077

† No debt is reported for Union County, but four districts report sinking fund balances.

THE COUNTIES RANKED ON THE BASIS OF NET DEBT PER CAPITA, PER PUPIL IN AVERAGE DAILY ATTENDANCE, AND RATIO OF NET DEBT TO ASSESSED VALUATION, JULY 1, 1922

RANK	COUNTIES	DEBT PER CAPITA	COUNTIES	DEBT PER PUPIL	COUNTIES	RATIO
1	Delaware	$23.23	Delaware	$172.31	Mercer	.0334
2	Northampton	21.41	Erie	148.44	Northampton	.0283
3	Erie	21.12	Northampton	133.17	Clearfield	.0277
4	Lehigh	19.61	Lehigh	127.11	Delaware	.0272
5	Lawrence	16.61	Allegheny	113.52	Lehigh	.0265
6	Allegheny	16.43	Montgomery	105.60	Erie	.0247
7	Cambria	16.07	Dauphin	94.20	Lycoming	.02439
8	Montgomery	15.60	Cambria	87.18	Elk*	.02437
9	Dauphin	15.38	Lawrence	86.44	Northumberland	.0240
10	Mercer	14.66	Mercer	80.62	Dauphin	.0236
11	Luzerne	13.15	Philadelphia	69.90	Beaver	.0219
12	Beaver	11.89	Luzerne	69.88	Westmoreland	.0210
13	Blair	11.58	Beaver	68.59	Lawrence	.0197
14	Northumberland	10.70	Blair	68.26	Cambria	.01969
15	Lycoming	10.31	Berks	65.27	Mifflin	.0192
16	Berks	10.15	Northumberland	62.75	Carbon	.0184
17	Westmoreland	10.07	Lycoming	60.68	Montgomery	.0180
18	Carbon	9.52	Carbon	56.61	Clinton	.0177
19	Chester	8.47	Westmoreland	50.41	Schuylkill	.0169
20	Fayette	8.36	Chester	50.34	Crawford*	.0168
21	Philadelphia	8.19	Clinton	42.18	Columbia*	.0164
22	Franklin	7.94	Crawford*	41.80	Blair	.0159
23	Washington	7.62	Franklin	40.71	Fayette	.0158
24	Mifflin	7.51	Fayette	39.71	Luzerne	.0153
25	Crawford*	7.38	Columbia*	39.58	Armstrong	.0151
26	Schuylkill	7.29	Schuylkill	39.54	Allegheny	.0149
27	Clinton	6.98	Mifflin	38.65	Somerset	.0142
28	Lackawanna	6.54	Lebanon	38.02	Huntingdon	.0141
29	Lebanon	6.48	Washington	37.83	Bradford*	.01409
30	Columbia*	6.10	Lackwanna	37.61	Franklin	.0140
31	Cumberland	5.97	Lancaster	36.15	Monroe	.0138
32	Lancaster	5.86	Cumberland	33.62	Berks	.0135
33	Clearfield	5.77	Monroe	31.57	Indiana	.0129

TABLE XV—*Continued*

RANK	COUNTIES	DEBT PER CAPITA	COUNTIES	DEBT PER PUPIL	COUNTIES	RATIO
34†	Bradford*	5.68	Bradford*	31.22	Cumberland	.0123
35	Monroe	5.51	Elk*	29.22	Chester	.0115
36	Elk*	5.39	Clearfield	27.64	McKean	.0111
37	Warren	4.95	Warren	25.79	Washington	.0109
38	McKean	4.52	Venango	24.79	Jefferson*	.0104
39	York	4.25	McKean	24.58	Lackawanna	.0097
40	Venango	4.19	York	24.01	Lancaster	.0093
41	Somerset	4.17	Bucks	19.77	Warren	.0088
42	Center	3.72	Somerset	19.76	Venango	.00879
43	Armstrong	3.58	Center	18.61	Lebanon	.0079
44	Bucks	3.32	Armstrong	18.01	York	.0077
45	Huntingdon	3.24	Huntingdon	16.86	Philadelphia	.0073
46	Wayne*	2.79	Indiana	15.78	Center	.0068
47	Greene	2.57	Wayne*	15.00	Wayne*	.0064
48	Jefferson*	2.53	Tioga*	12.07	Tioga*	.0057
49	Tioga*	2.42	Jefferson*	11.61	Bucks	.00568
50	Potter*	2.40	Potter*	11.15	Wyoming*	.0055
51	Indiana	2.07	Wyoming*	9.69	Forest*	.0053
52	Wyoming*	1.92	Forest*	8.28	Bedford*	.0051
53	Forest*	1.79	Pike*	8.00	Potter*	.0048
54	Butler	1.36	Adams	7.98	Clarion*	.0043
55	Bedford*	1.30	Butler	7.02	Butler	.0030
56	Adams	1.27	Montour*	6.92	Montour*	.0029
57	Pike*	1.26	Susquehanna*	6.46	Perry*	.00254
58	Clarion*	1.23	Clarion*	6.14	Pike*	.00252
59	Susquehanna*	1.17	Bedford*	6.08	Susquehanna*	.0019
60	Montour*	1.08	Perry*	4.92	Fulton*	.0018
61	Perry*	.95	Fulton*	2.47	Sullivan*	.0017
62	Sullivan*	.75	Snyder	1.78	Greene	.0016
63	Fulton*	.46	Greene	1.30	Adams	.0012
64	Snyder	.33	Cameron*	1.20	Snyder	.0010
65	Cameron*	.26	Sullivan*	.34	Cameron*	.0003
66	Juniata*	.01	Juniata*	.05	Juniata*	.0000
67	Union*	−.06	Union*	−.24	Union*	−.0001

* Decreased in population from 1910 to 1920. † Median county.

One is struck at once by the very wide range in all three columns. In per capita debt the range is from less than nothing in Union County to $23.23 in Delaware County, with the median county, Bradford at $5.68. In per pupil debt the range is from less than nothing in Union County to $172.31 in Delaware County, with the median county, Bradford at $31.22. In the ratio of the debt to the assessed valuation the range is from less than nothing in Union County to .0334 in Mercer County, with the median county, Cumberland, at .0123. Increase in population would of itself tend to lower the per capita debt, and decrease in population would tend to raise it. Twenty-one of the counties of Pennsylvania suffered a decrease in population between 1910 and 1920, but only two of these appear in the upper half of the column of per capita debt, and none in the highest quarter, while thirteen are in the lowest quarter. All of the counties in the highest division experienced a growth in population, some of them as high as 20 per cent and some nearly 50 per cent.

Per pupil debt should ordinarily follow the same trend as per capita debt, although the removal from country to town of families with grown children, the establishment of parochial schools, and the enforcement of the compulsory attendance laws will affect the situation somewhat. The close parallel of per capita and per pupil debt is borne out by the table, since only one county, Lycoming, in the first group of column one is not also in the first group of column two, and two counties change groups from group two, two from group three, and one from group four. Twenty-five of the thirty-three counties in the upper half of column one appear in the upper half of the other two columns also, and ten counties appear in the top quarter of all three columns. Thus it appears from this table that the growing counties are the counties that are incurring most indebtedness. The wide variations show also that it is a matter of local policy whether or not a district shall carry debt and the extent of the debt. This fact will show more clearly later in the analysis of district debt.

In order to see better the geographical distribution of the debt the counties are marked on the accompanying map by groups on the basis of debt per capita. From the few changes in

groups as between columns one and two, a map on the basis of per pupil debt would appear very much the same. The map shows clearly that the counties of each group are spread well over the State. The location of geographically neighboring counties in extreme groups of the ranked lists is suggestive. Wyoming and Luzerne, Montour and Northumberland, Sullivan and Lycoming, Butler in contrast with Mercer, Lawrence, Beaver and Allegheny, are instances of this. Much of this contrast, as might be expected, is due to the presence and influence of first-, second- and third-class districts in the counties of the upper groups. There are 122 of these districts in the counties of the top group on the basis of debt per capita, 92 in the second group, 23 in the third group, and only 3 in the lowest group; that is, 89 per cent of the first-, second- and third-class districts are in the counties that appear in the upper half of column one. The share that these districts have in the total State debt will be shown later.

A. Study of Twelve Counties

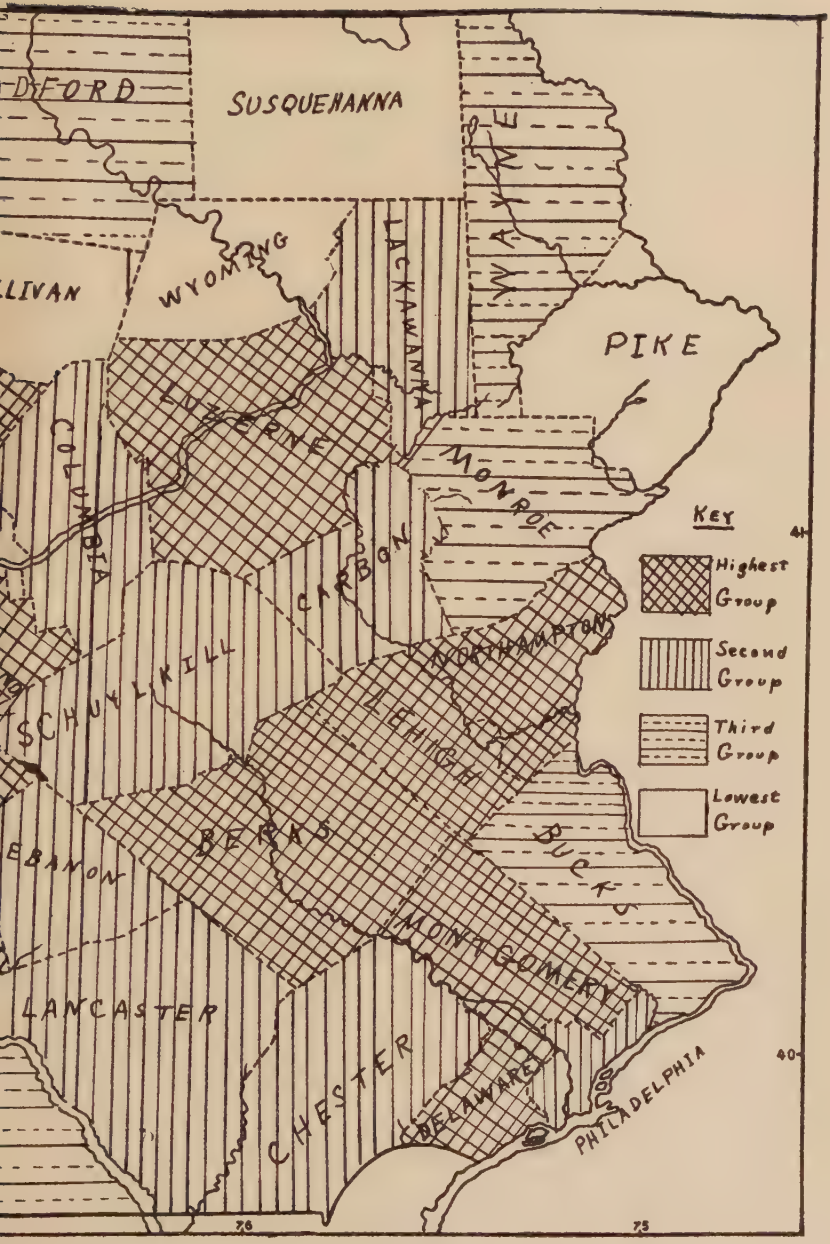
An intensive study of twelve counties will further bear out the statement that it is the larger boroughs and cities that carry the major portion of the debt. The counties were selected by taking the first and each following sixth county in the column of per capita debt in Table XV. The counties are the following:

Delaware	Chester	Warren	Bedford
Cambria	Crawford	Armstrong	Perry
Blair	Cumberland	Tioga	Union

This selection gives three counties from each division. Included within these counties are 3 second class districts and 22 third class districts. On account of the close parallel between the per capita and the per pupil debt, and on account of the unreliability of population estimates for small divisions, the comparisons will be made only on the bases of attendance and assessed valuation.

As a matter of fact the school debt is not spread over the entire State, since there are many districts that do not have any

DISTRIBUTION OF
INDEBTEDNESS BY CO
July 1, 19


SUSQUEHANNA
WYOMING
LACKAWANNA
PIKE
LUZERNE
MONROE
CARBON
NORTHAMPTON
LEHIGH
BERKS
BUCKS
MONTGOMERY
LANCASTER
CHESTER
DELAWARE
PHILADELPHIA
Key
Highest Group
Second Group
Third Group
Lowest Group
40
76
75

debt at all. This is especially true of the fourth-class districts. In Table XVI, which follows, an analysis is made of the districts within the twelve counties to show the character of the district and whether or not it is carrying a debt. This table again emphasizes the fact that it is the cities and boroughs that are carrying the debt. This can be explained by the fact that it is in the growing cities and boroughs that new buildings are most demanded.

TABLE XVI

CITIES, BOROUGHS AND TOWNSHIPS WITHIN THE TWELVE SELECTED COUNTIES, SHOWING THE TOTAL NUMBER AND THE NUMBER REPORTING DEBT

	NO OF DISTRICTS					NO. OF REPORTING DEBT			
COUNTY	CITIES	BOR'S	TOWNSHIPS	IND.	TOTAL	CITIES	BOR'S	TOWNSHIPS	TOTAL
Armstrong	..	16	27	1	44	..	8	4	12
Bedford	...	13	25	4	42	..	4	2	6
Blair	1	12	13	1	27	1	7	5	13
Cambria	1	31	40	1	73	1	18	13	32
Chester	..	19	54	2	75	..	13	14	27
Crawford	2	18	33	3	56	2	4	2	8
Cumberland	..	12	20	1	33	..	10	4	14
Delaware	1	23	21	..	45	1	21	14	36
Perry	..	9	21	..	30	..	2	..	2
Tioga	..	11	29	..	40	..	5	4	9
Union	..	4	10	1	15	..	..	..	..
Warren	..	8	23	..	31	..	1	2	3
Totals	5	176	316	14	511	5	93	64	162
Per Cent No. of Districts having debt is to Total No. of Districts						100	53	20	32

In order to determine the extent of the load that is carried by each of these 162 districts, an analysis of the per pupil debt and the ratio of debt to assessed valuation for each follows:

TABLE XVII

INDEBTEDNESS, ASSESSED VALUATION AND AVERAGE DAILY ATTENDANCE OF DISTRICTS IN TWELVE SELECTED COUNTIES WITH PER-PUPIL DEBT AND RATIO OF DEBT TO THE ASSESSED VALUATION 1922

CLASS††	DISTRICT	BONDS OUTSTANDING	SINKING FUND BALANCE	NET BONDED DEBT	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION	AVERAGE DAILY ATTENDANCE	NET BONDED DEBT PER PUPIL
	Armstong County							
	*Apollo Boro	$19,000	$477	$18,523	$771,995	.0240	713	$25.98
	Applewold B	5,500	500	5,000	125,835	.0397	60	83.33
3	Cowanshannock T	10,000	.....	10,000	1,204,794	.0083	1,510	6.62
	*Dayton B	12,000	.....	12,000	194,460	.0617†	306	39.22
3	Ford City B	25,000	.....	25,000	1,954,060	.0128	1.004	24.90
3	*Kitanning B	152,600	.....	152,600	2,203,057	.0692†	1,585	96.28
	*Leechburg B	23,000	.....	23,000	842,458	.0273	914	25.16
	Manor Twp	6,000	.....	6,000	531,197	.0113	602	9.97
	Parker City B	2,000	240	1,760	250,000	.0070	353	4.99
	Parker Twp	11,092	.....	11,092	333,000	.0333	313	35.44
	Pine Twp	1,800	.....	1,800	166,483	.0108	143	12.59
	Rural Valley B	15,000	.....	15,000	188,621	.0795†	246	60.97
	Bedford County							
	Bedford B	10,500	2,000	8,500	803,094	.0106	622	13.66
	Broad Top Twp	7,300	608	6,692	809,939	.0082	1,180	5.67
	*Everett B	13,000	.....	13,000	362,925	.0358	383	33.94
	*Hyndman B	8,500	77	8,423	233,683	.0360	269	31.31
	Saxton B	300	.....	300	221,190	.0013	279	1.08
	South Woodbury T	12,500	.....	12,500	500,415	.0250	308	40.59

TABLE XVII—*Continued*

CLASS ††	DISTRICT	BONDS OUTSTANDING	SINKING FUND BALANCE	NET BONDED DEBT	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION	AVERAGE DAILY ATTENDANCE	NET BONDED DEBT PER PUPIL
	Blair County							
2	*Altoona C	1,085,000	104,906	980,094	36,433,834	.0269	9,107	107.62
	*Bellwood B	47,000	.....	47,000	742,276	.0647†	621	75.75
	Blair Twp	1,000	.....	1,000	599,436	.0017	157	6.37
	Duncansville B	6,000	.....	6,000	308,170	.0195	239	25.10
	Freedom Twp	3,700	.....	3,700	398,390	.0093	244	15.16
	*Greenfield Twp	34,000	620	33,380	828,295	.0403	620	62.51
3	*Juniata B	143,500	.....	143,500	2,511,237	.0571†	1,756	81.72
3	*Logan Twp	193,500	620	192,880	4,726,661	.0408	2,547	75.73
	*Martinsburg B	27,000	.....	27,000	334,881	.0806†	182	148.24
	Roaring Springs B	15,150	.....	15,150	859,166	.0176	528	28.69
	Taylor Twp	3,300	24	3,276	574,304	.0057	268	12.23
3	*Tyrone B	84,000	14,506	69,494	2,796,805	.0213	1,720	40.40
	Williamsburg B	26,000	3,689	22,311	727,028	.0307	452	49.36
	Cambria County							
	Adams Twp	95,000	.....	95,000	4,995,860	.0190	1,423	66.76
	*Barnesboro B	61,500	1,152	60,348	1,080,850	.0558	1,053	57.31
	*Blacklick Twp	111,000	3,124	107,876	2,246,790	.0480	573	188.27
	Cambria Twp	60,000	10,007	49,993	3,598,830	.0139	792	63.12
	Cresson B	21,500	6,362	15,138	1,385,530	.0109	577	26.24
	Croyle Twp	30,000	.....	30,000	2,162,970	.0139	869	34.52
	Dale B	19,700	.....	19,700	1,040,050	.0189	620	31.77
3	E. Conemaugh B	177,500	72	177,428	1,921,440	.0813†	878	202.08
	East Taylor Twp	17,793	.....	17,793	2,438,683	.0143	459	76.25
	Ebensburg B	65,000	12,062	52,938	2,626,340	.0202	410	129.12

*Report temporary debt although bonded debt exceeds 2 per cent of valuation.
†Ratio of sum of bonded and temporary debt to assessed valuation exceeds 7 per cent.
††Fourth class unless otherwise noted.

TABLE XVII—*Continued*

CLASS ††	DISTRICT	BONDS OUTSTANDING	SINKING FUND BALANCE	NET BONDED DEBT	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION	AVERAGE DAILY ATTENDANCE	NET BONDED DEBT PER PUPIL
	*Ferndale B	41,000	7,495	33,505	1,331,700	.0252	374	89.59
	Gallitzin B	9,000	.....	9,000	1,389,820	.0065	540	16.67
	Hastings B	7,500	.....	7,500	481,480	.0156	379	19.79
2	Johnstown C	2,191,000	197,894	1,993,106	68,013,675	.0293	10,499	190.75
	Lilly B	28,500	.....	28,500	657,990	.0433	376	75.80
	Lorain B	20,000	2,334	17,666	418,930	.0422	202	87.45
	*Lower Yoder Twp	36,400	.....	36,400	1,522,440	.0239	333	109.31
3	Nanty Glo B	23,000	1,297	21,703	1,880,020	.0116	1,157	18.76
3	Portage Twp	26,000	.....	26,000	1,393,210	.0187	1,555	16.72
	Patton B	21,000	545	20,455	1,666,580	.0123	977	20.94
	*Portage B	62,400	189	62,211	1,850,000	.0336	968	64.25
	Reade Twp	21,000	.....	21,000	980,420	.0214	743	28.26
	*Sankertown B	9,000	.....	9,000	344,190	.0262	209	43.06
	*South Fork B	38,000	500	37,500	1,785,209	.0216	1,089	34.43
	Spangler B	8,000	547	7,453	939,910	.0079	588	12.67
	Stony Creek Twp	21,000	.....	21,000	11,301,208	.0019	162	129.63
	Summerhill Twp	10,000	.....	10,000	2,318,587	.0043	183	54.64
	Upper Yoder Twp	134,000	13,762	120,238	2,786,620	.0431	256	469.70
	Vintondale B	30,500	.....	30,500	902,050	.0338	459	66.45
	*West Carroll Twp	59,000	.....	59,000	1,337,200	.0441	746	79.09
	*Westmont B	140,000	21,195	118,805	2,648,850	.0447	414	286.97
	*West Taylor Twp	31,000	.....	31,000	743,680	.0417	241	128.63

TABLE XVII—*Continued*

CLASS ††	DISTRICT	BONDS OUTSTANDING	SINKING FUND BALANCE	NET BONDED DEBT	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION	AVERAGE DAILY ATTENDANCE	NET BONDED DEBT PER PUPIL
	Chester County							
	Atglen B	5,800	121	5,679	397,500	.0143	123	46.17
	*Avondale B	10,500	.....	10,500	369,720	.0284	252	41.67
3	Coatesville B	261,500	.....	261,500	9,733,688	.0269	2,685	97.39
	Downingtown B	40,000	45	39,955	2,421,475	.0165	814	49.08
	E. Goshen Twp	1,000	.....	1,000	685,920	.0015	100	10.00
	*E. Marlboro Twp	66,000	.....	66,000	1,055,000	.0626	207	323.67
	Easttown Twp	38,000	24	37,976	3,269,820	.0117	294	129.17
	E. Whiteland Twp	2,500	.....	2,500	1,307,804	.0018	217	11.52
	*Honeybrook B	9,400	.....	9,400	382,565	.0246	68	123.53
	*Honeybrook Twp	20,000	.....	20,000	867,688	.0230	178	112.36
	*Kennett Square B	34,000	.....	34,000	1,543,755	.0220	630	53.97
	Malvern B	10,000	364	9,636	840,000	.0115	238	40.49
	New lin Twp	31,000	.....	31,000	596,279	.0612	96	322.92
	New London Twp	6,000	.....	6,000	598,872	.0100	120	50.00
	N. Coventry Twp	3,600	.....	3,600	950,000	.0038	417	8.63
	*Oxford B	26,000	.....	26,000	1,256,498	.0207	473	54.97
	*Parkesburg B	31,100	.....	31,100	1,087,885	.0286	484	64.26
3	Phoenixville B	76,900	12,178	64,722	4,966,770	.0130	1,563	41.41
	*Pocopson Twp	27,000	.....	27,000	411,915	.0655	72	375.00
	Schuylkill Twp	12,900	.....	12,900	713,100	.0181	232	55.60
	Spring City B	11,200	.....	11,200	1,256,235	.0089	605	18.51
	Tredyffrin Twp	37,500	2,045	35,455	3,969,471	.0089	642	55.23

*Report temporary debt although bonded debt exceeds 2 per cent. of valuation.
††Fourth class unless otherwise noted.

TABLE XVII—*Continued*

CLASS ††	CLASS DISTRICT	BONDS OUTSTANDING	SINKING FUND BALANCE	NET BONDED DEBT	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION	AVERAGE DAILY ATTENDANCE	NET BONDED DEBT PER PUPIL
	Valley Twp.	10,500	.....	10,500	2,490,173	.0042	434	24.20
3	West Chester B.	194,000	20,250	173,750	10,265,763	.0169	1,915	90.73
	West Grove B.	4,400	.....	4,400	791,910	.0056	328	13.71
	*W. Marlboro Twp.	51,000	.....	51,000	817,040	.0624	173	294.79
	W. Pikeland Twp.	1,600	.....	1,600	385,565	.0041	114	14.04
	Crawford County							
	Cambridge Springs B.	2,000	827	1,173	861,500	.0014	827	3.14
	*Cochranton B.	11,000	.....	11,000	276,000	.0553†	205	53.66
	Linesville B.	3,600	.....	3,600	312,545	.0115	340	10.59
3	Meadville C.	352,500	.....	352,500	5,807,000	.0607	2,280	154.17
3	*Titusville C	61,500	.....	61,500	2,240,000	.0275	1,140	53.95
	*Conneautville B	13,300	.....	13,300	276,000	.0482†	262	51.14
	Vernon Twp.	3,000	.....	3,000	720,000	.0042	270	11.11
	West Fallowfield T.	1,200	1,243	—43	243,180	....	77	.....
	Cumberland County							
	*Camp Hill B.	67,400	7,650	59,750	825,000	.0724†	323	184.98
3	Carlisle B.	87,000	.....	87,000	4,640,332	.0188	1,916	45.41
	*E. Pennsboro Twp	63,000	7,800	55,200	1,170,710	.0472	778	70.95
	Frankford Twp.	3,000	.....	3,000	406,540	.0074	196	15.31
	Lemoyne B.	40,900	3,491	37,409	818,005	.0457	556	67.28
	Lower Mifflin Twp.	.....	4	—4	209,282	.....	104	.....
	Mechanicsburg B.	8,000	264	7,736	1,995,226	.0039	797	9.71
	Mt. Holley Springs	4,000	.....	4,000	414,000	.0097	199	20.10

TABLE XVII—*Continued*

CLASS ††	CLASS DISTRICT	BONDS OUTSTANDING	SINKING FUND BALANCE	NET BONDED DEBT	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION	AVERAGE DAILY ATTENDANCE	NET BONDED DEBT PER PUPIL
	*New Cumberland B	14,000	.....	14,000	654,993	.0214	462	30.30
	*Newville B	19,200	.....	19,200	547,830	.0365	221	86.02
	Shippensburg B	10,500	.....	10,500	1,351,875	.0078	698	15.19
	S. Middletown Twp	30,000	.....	30,000	1,892,175	.0159	460	65.22
	*W. Fairview B	26,200	.....	26,200	436,000	.0601	321	81.87
	Wormsleyburg B	3,000	450	2,550	241,735	.0106	116	21.98
	Delaware County							
	Alden B	16,500	1,323	15,177	1,168,435	.0130	160	94.86
	*Aston Twp	35,300	915	35,385	1,200,280	.0295	244	145.02
2	Chester C	1,221,500	.....	1,221,500	59,188,077	.0206	7,904	154.54
	*Clifton Hts. B	91,000	2,395	88,605	1,620,617	.0547	440	201.38
	Collingdale B	37,000	1,251	35,749	2,270,935	.0157	515	69.42
	*Colwyn B	1,500	173	1,327	796,100	.0017	246	5.39
3	*Darby B	129,500	1,555	127,945	3,841,985	.0333	1,363	93.87
	Darby Twp	7,700	402	7,298	1,205,000	.0061	455	16.04
	*E. Lansdowne B	56,000	4,742	51,258	1,079,310	.0475	258	198.68
	*Eddystone B	169,000	.....	169,000	5,332,791	.0317	330	512.12
	*Glenolden B	72,000	1,546	70,454	1,434,319	.0491	277	254.34
3	Haverford Twp	613,000	54,358	558,642	9,635,649	.0579	1,025	545.02
	*Lansdowne B	113,000	5,337	107,663	4,299,655	.0250	890	120.97
	*Lower Chichester Twp	56,000	161	55,839	924,155	.0604†	294	189.93
3	Marcus Hook B	65,000	56	64,944	2,931,614	.0222	751	86.48

*Report temporary debt although bonded debt exceeds 2 per cent. of valuation.
†Ratio of sum of bonded and temporary debt to assessed valuation exceeds 7 per cent.
††Fourth class unless otherwise noted.

TABLE XVII—*Continued*

CLASS ††	DISTRICT	BONDS OUTSTANDING	SINKING FUND BALANCE	NET BONDED DEBT	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION	AVERAGE DAILY ATTENDANCE	NET BONDED DEBT PER PUPIL
	Marple Twp.	15,000	599	14,401	1,252,343	.0115	184	78.27
	*Media B.	123,500	10,839	112,661	3,123,432	.0361	712	158.23
	*Middletown Twp.	48,500	483	48,017	1,637,328	.0293	483	160.06
	Morton B.	8,500	1,073	7,427	488,565	.0152	207	35.88
	Nether Providence Twp.	500	.....	500	2,408,980	.0002	216	2.31
	Newtown Twp.	15,000	3,706	11,294	1,359,922	.0083	108	104.57
	*Norwood B.	97,000	4,908	92,092	1,383,630	.0665†	409	225.16
	*Parkside B.	17,500	.....	17,500	341,000	.0513	64	273.44
	*Prospect Park B.	17,500	1,520	15,980	1,153,875	.0106	397	40.25
3	*Radnor Twp.	368,000	46,292	321,708	12,254,525	.0262	1,200	268.09
	*Ridley Park B.	110,000	20,339	89,661	2,286,440	.0392	568	157.85
3	Ridley Twp.	64,000	23,477	40,523	4,500,000	.0090	894	45.35
	Rutledge B.	5,000	764	4,236	509,950	.0083	114	37.16
	*Sharon Hill B.	68,000	11,961	56,039	1,096,000	.0511	165	339.63
	Springfield Twp.	75,000	.....	75,000	2,000,000	.0375	184	407.61
	Swarthmore B.	84,000	12,844	71,156	2,807,344	.0253	505	140.90
	Thornbury Twp.	3,000	.....	3,000	720,476	.0042	121	24.80
	*Tinicum B.	163,000	6,517	156,483	4,198,854	.0382	485	322.64
	Upper Chichester Twp.	16,000	.....	16,000	839,345	.0191	282	56.74
3	*Upper Darby Twp.	584,000	78,908	505,092	10,339,038	.0489	1,650	306.12
	Yeadon B.	97,500	13,777	83,723	1,637,802	.0511	104	805.03

TABLE XVII—*Continued*

CLASS ††	DISTRICT	BONDS OUTSTANDING	SINKING FUND BALANCE	NET BONDED DEBT	ASSESSED VALUATION	RATIO OF DEBT TO ASSESSED VALUATION	AVERAGE DAILY ATTENDANCE	NET BONDED DEBT PER PUPIL
	Perry County							
	Newport B	9,000	.....	9,000	750,000	.0120	391	23.02
	*Marysville B	16,000	2,632	13,368	484,609	.0276	375	35.62
	Tioga County							
	Charlestown Twp	12,500	.....	12,500	750,357	.0167	301	41.53
	Covington Twp	4,650	.....	4,650	363,346	.0128	17	273.53
	Delmar Twp	5,000	.....	5,000	906,348	.0055	442	11.31
	Elkland B	1,000	760	240	490,383	.0005	365	.66
	*Knoxville B	5,500	.....	5,500	227,093	.0242	271	20.29
	*Lawrenceville B	10,991	827	10,164	160,000	.0635†	827	58.85
	Tioga Twp	1,500	186	1,314	367,931	.0036	17(a)	77.29
	Wellsboro B	24,500	.....	24,500	1,400,000	.0175	760	32.24
	*Westfield B	22,500	181	22,319	472,722	.0472	333	67.02
	Warren County							
	Conewago Twp	2,400	57	2,343	736,079	.0032	292	8.02
	Pine Grove Twp	24,500	625	23,875	777,656	.0307	248	96.27
	*Sugar Grove B	3,000	.....	3,000	135,174	.0222	121	24.80
3	Warren B	213,000	43,286	169,714	11,522,245	.0147	2,721	62.37

*Report temporary debt although bonded debt exceeds 2 per cent. of valuation.
† Ratio of sum of bonded and temporary debt to assessed valuation exceeds 7 per cent.
†† Fourth class unless otherwise noted.
(*a*) Evidently an error in the report.

In this table Union County does not appear. None of the districts in this county report any debt, but four report sinking fund balances that aggregate $934. No totals are shown in the tables since there is no thought of comparing counties.

The most striking thing about the table is again the very wide range in both measures. The highest ratio of net bonded debt to the assessed valuation in this group of districts is .0813 for East Conemaugh Borough in Cambria County, a third-class district; while the lowest is less than nothing for West Fallowfield Township in Crawford County, where the amount reported in sinking fund is greater than the amount of bonds outstanding. In general the ratio is not high, for the median ratio for the 162 districts is .0218. It will be recalled that the Constitution and statutes of the State require a popular approval vote for debts in excess of two per cent of the valuation. Of these 162 districts, 86 report a net debt above 2 per cent. There is nothing in the reports that will show whether or not these districts sought and received popular approval for these excess debts.

A more serious problem is involved in the upper end of the range. Four districts report a net debt in excess of the legal limit of 7 per cent. These districts are Rural Valley borough in Armstrong County, Martinsburg borough in Blair County, East Conemaugh borough in Cambria County and Camp Hill borough in Cumberland County. Twelve other districts have a ratio above 6 per cent.

Another serious situation is involved in the temporary debt. This study is not concerned with the temporary debt directly, but it is necessary here to consider it in its relation to the debt limit set by law. It will be recalled from Chapter III that the law permits a district to incur temporary debt only when the total debt, including such temporary debt, is not above 2 per cent of the assessed valuation. Of the 86 districts in these twelve counties that have a net bonded debt in excess of the 2 per cent limit, 65 also reported temporary indebtedness as of July 3, 1922. This is itself a violation of the law. Further, when this temporary debt is added to the net bonded debt, the ratio of the total debt to the assessed valuation goes, in nine

instances above the maximum limit of 7 per cent allowed by law.[7] In Table XVII, the districts that have a net bonded debt above 2 per cent of the assessed valuation and also have a temporary debt are marked with an asterisk. This situation is one that will bear investigation.

In the matter of per pupil debt the variation is also very noticeable. The highest net bonded debt per pupil in average daily attendance is that for Yeadon borough in Delaware County, which is $805.03; and the lowest is less than nothing in West Fallowfield township in Crawford County. There are only 20 districts of these 162 that have a net debt per pupil in average attendance above $200, and the median for all these districts is $57.59. The contrast in this extreme range is much more pronounced when one bears in mind that there are many districts in these counties that have no bonded debt at all.

Such wide variations arise from the fact that each local district determines its own policy in the matter of debt. Except for the statement that must be filed with the courts when a bond issue is contemplated, there is no check upon local school districts in the mattter of debt policy except local sentiment and the legal limit. Local sentiment may be ignored by school boards when borrowing up to 2 per cent of the assessed valuation; and the legal limit, in the absence of supervision, may be ignored, although in doing so boards jeopardize the validity of bonds. The range of debt, as shown in the table, indicates wide differences in policy, and suggests that probably some districts are spending too much and others too little in the way of borrowed funds.

3. Summary

The statistical reports of 1919–20 show that the net bonded debt of school districts had reached the total of $70,999,179 and subsequent reports show a steady increase until that for 1922–23 shows the net debt at the total of $109,801,166, making an increase in the three years of 55 per cent. There has been a marked increase in the net debt per capita, debt per pupil in average

[7] Indicated by † in Table XVII.

daily attendance, and in the ratio of the debt to the assessed valuation of taxable property. The school debt of Pennsylvania is nearly double that of Illinois on the basis of these three measures, but it appears that the debt of Pennsylvania is less than that of a large number of other States.

But the school debt is not spread evenly over the State. About 80 per cent of it is chargeable to districts of the first, second, and third classes, although these districts number only about 10 per cent of the total number of districts and include only about 65 per cent of the total population. All of the first- and second-class districts, about 90 per cent of the third-class, and about 30 per cent of the fourth-class districts share in this debt. In the four years for which reports are available, the total of net bonded debt for all classes of districts increased. There is a marked concentration by counties. Taking the debt per capita as a measure, the range is from $23.23 in Delaware County to less than nothing in Union County, with the median for the sixty-six counties at $5.68. In general the growing counties, in respect of population, have high per capita debt, and the counties that are decreasing in population have low per capita debt. Geographically neighboring counties in many instances differ widely in per capita debt. This is in large measure due to the presence of first-, second- and third-class districts in these counties. The concentration appears to be in cities and boroughs rather than in the townships of the State.

While it is not possible to tell from the reports just what provision is being made to pay the debt, it is probable that not more than $4,000,000 per year is used for this purpose, either through direct payment of the principal of bonds, or through payments to sinking funds for the ultimate liquidation of such debts. The average increase per year in the bonds outstanding at the ends of the fiscal years from 1919–20 to 1922–23 was about $14,000,000, and even the average increase each year in the net bonded debt was about $13,000,000. Thus it appears that the trend in the debt is decidedly upward.

An intensive study of the debt of school districts in twelve selected counties shows further the concentration of the debt in cities and boroughs. Of the 511 districts in these twelve coun-

ties, 162 report indebtedness. Among these districts there is a very wide range in per pupil debt from $805.03 to less than nothing, with the median at $57.59, and in the ratio of the debt to the assessed valuation from .0813 to less than nothing with the median at .0218. Such wide variations show the differences in local policies in the matter of indebtedness.

A serious situation is revealed in the fact that a number of districts have incurred indebtedness beyond the legal limits. In the twelve selected counties 86 districts report bonded debt in excess of 2 per cent of the assessed valuation of which 65 districts also report temporary indebtedness, a situation forbidden by law. In these counties there are four districts in which the net bonded debt exceeds 7 per cent of the valuation, and nine others in which the bonded debt and temporary debt together exceed this limit, which is the legal total limit for school district debts. A number of other districts have debts so near the legal limit as to be greatly restricted in their financial policies.

CHAPTER VI

Suggested Changes in the Policy and Laws of Pennsylvania Regarding School Bonded Debt

1. The Best Policy for School Districts

In considering possible changes in the policy and laws of the State to remedy conditions as revealed in the preceding chapters to be unsatisfactory, one may first consider the question: What is the place of bonding in local district policies? Nearly all the States limit bonding to capital outlays. It spells financial danger for school districts to finance current expenses by borrowing. When in Pennsylvania the limits upon the tax power of local districts and the low valuations upon taxable property made it impossible to raise sufficient funds by taxation to meet current expenses, the welfare of the children justified temporary borrowing and later even the funding of these temporary debts, as was authorized by the Act of 1921. But now that the tax limits have been so widely extended as they were by the Act of 1923, there should be a strict adherence to the law, and bonded indebtedness should be incurred only for capital outlays.

But even for capital outlays bonding should be regarded only as a temporary expedient for spreading the debt over a period of years. It is a principle of public finance that excessive taxation may force private instead of public debts, because some may be compelled to use part of their capital as well as their income to pay their taxes, and must then borrow from others who may have larger income. The place of bonding is to prevent such excessive taxation. But when expenditures of a certain kind come with sufficient regularity as to be predictable, they should be budgeted and covered by taxation. Ely in discussing "Public Revenues from Loans and Government Ownership," writes as follows:

Ordinary expenditures, that is, those which recur with sufficient regularity so that they can be foreseen and estimated in advance, if not provided for by receipts from domains and industries, must be met by taxation. If the State cannot do this, it is a confession that ordinary expenditures are in excess of the disposable income surplus of the nation, a state of things that means bankruptcy if continued long enough.[1]

Regularity and predictability of capital outlay expenditures will, of course, vary with the size of school district. At the present time the limitations, so far as bonded debt is concerned, are the same for all classes of districts in Pennsylvania, although the problems and needs of these districts vary greatly. In districts of the third and fourth classes, necessity for new buildings is more or less infrequent and irregular, unless the district is rapidly and steadily growing. For such districts to adopt a "pay as you build" policy may seriously unbalance the tax rate, and it is better to borrow the needed funds by a bond issue. Such loans should not extend beyond the time that may reasonably be regarded as the prospective life of the building. For this there is at present no scientific measure. When we think how unsuited to present needs are the buildings that were erected twenty-five or thirty years ago, we can question whether thirty years is not too long for building debts to run. Certainly fifty years, as recommended in the report of the Constitutional Revision Commission, is much too long.

Second-class districts are larger and are growing rapidly, and in them school building is more frequent. Such school districts should endeavor to work out a building program and approach as nearly as possible a "pay as you build" policy by budgeting for capital outlays in the period between successive buildings. First-class districts should make it the fundamental policy to pay for buildings out of current revenue. St. Louis has followed a "pay as you build" policy in general for more than twenty-five years, and has had in that time but one bond issue, one for $3,000,000 in 1916.[2] Chicago has followed such a policy for about the same time. In 1890 Chicago alone owed about 48

[1] Ely: "Outlines of Economics," Chapter XXXIII.

[2] Correspondence with T. E. Spencer, Assistant to the Superintendent, March 30, 1925.

per cent of the total school debt of Illinois, but since 1906 it has owed none of it.[3] The present debt of Philadelphia and Pittsburgh is large. For 1922–23 the report gives the net bonded debt of Philadelphia as $14,737,628, and of Pittsburgh as $12,891,992, and both cities have under way extensive building programs. Neither could undertake to finance buildings at present out of current revenues, but it seems wise for both to aim toward this as an ultimate policy.

At the same time the writer does not overlook the fact that large districts, if they have a definite and consistent debt cancellation policy, are able to borrow at such advantageous rates as greatly to lighten the burden of public debts. In January of the year 1925 Pittsburgh sold $5,000,000 in bonds at such a premium that the actual cost to the district is 3.95 per cent. The Board recognize that so advantageous a rate was had only because of strict adherence to the requirements of the law as to providing means for meeting interest and principal as they fall due.[4]

This suggests that, after all, the most important feature of a school district debt policy is not so much whether debts shall or shall not be contracted, as that debts when due shall be paid. It is not possible to tell from the reports how school districts are planning to meet their obligations. Nearly all of the districts that report debts report sinking funds or show payment of bonds out of current revenues; but there is nothing to show whether sinking funds are growing as they should grow. The review of legislation showed that measures were frequently necessary to provide for refunding of debts, and there is current a suspicion that school districts in general are not making adequate provision for maturing debts.

There are, of course, many districts in the State that are making ample provision for debts. In a letter to the author Secretary Dick writes regarding the policy of the School District of Philadelphia as follows: "On all permanent loans issued

---

[3] Rightor: in *American City*, September, 1922, p. 226; see also "Public School Debt of Illinois," p. 24.

[4] Correspondence with H. W. Cramblet, Assistant Secretary, Board of Education, Pittsburgh, Pa., April 1, 1925.

by the School District of Philadelphia there is provided an annual tax amounting to eight (8) per centum of the amount of said loan upon the taxable property of said School District, for the payment of interest, principal and State tax."[5] This is a far more definite and liberal provision than the law requires. The proposal blank for the bond issue of April 1, 1925, contains this provision and fixes the maturity of the bonds as $150,000 annually after the first ten years.

The weakness of the present law in Pennsylvania is that it permits postponing provision for retiring debts until the end of the legal period of thirty years, although a strict interpretation of the Constitution would seem to require that an *equal* tax be levied annually during the life of the debt to meet it at maturity.[6] The determination of adequacy in sinking funds and the provision for them is a technical matter requiring expert judgment which the smaller districts do not always have available. The plan of Philadelphia shows a type of serial bond—annual maturity after the first ten years. A desirable change in the law of Pennsylvania would be to require that bonds be issued in serial form, and that sufficient tax be levied annually to meet interest and other charges on bonded debt and the principal of such bonds as mature. Massachusetts, New Jersey, Ohio, Wisconsin, and North Carolina already have such a law.[7] For Pennsylvania it would greatly help to make a more scientific debt policy in the school districts of the State.

2. *Supervision and Guidance*

But the most important need in Pennsylvania is supervision and guidance by a responsible State authority in the matter of incurrence of and provision for debts. An indebtedness of more than $100,000,000 that is increasing annually by more than $13,000,000, and that involves an annual expenditure in interest of more than $4,000,000 by the school districts of the State is worthy of careful study. The fact that only 30 per cent of the

---

[5] Correspondence with Wm. Dick, Secretary, Board of Education, Philadelphia, Pa., April 1, 1925.

[6] S. C. Section 507, and Constitution, Article IX, Section 10.

[7] Brown: "Municipal Bonds," p. 79.

school districts of the State have a bonded debt while some of these have a debt beyond the legal limit suggests the need of both supervision and guidance. Some of these debt-free districts may be in need of new buildings that cannot be financed by immediate taxation: for them a wise debt policy may contribute greatly to the advantage of the children. On the other hand, districts that are already indebted beyond the legal maximum, or in which the prorated debt, in comparison with other districts, is very large, should be encouraged to reduce such debt as soon as possible to the point where the district is left reasonable financial freedom for emergencies that may arise.

There should be a way to prevent districts from incurring debts beyond the limits fixed by law. Effective supervision should accomplish this. At present, two official agencies are provided to do this, but neither can do it effectively. First, local auditors or city controllers are directed by law to examine into the legality of financial transactions of school districts, and may surcharge illegal payments to the directors responsible for them.[8] The personal liability of directors for such illegal payments has been shown in Chapter II. Taxpayers or directors may appeal to the courts from the report of auditors. But local auditors, to do this effectively, must be versed in the whole school law, and from the calibre and compensation of auditors in the smaller districts little can be expected beyond a check as to the accuracy of balances. The law empowers auditors to disallow illegal payments, but there is no way to disallow illegal receipts. It is probable in the matter of illegal bonded debt that the surcharge could not be made until payments were authorized for the bonds illegally issued, and this could come only years after the bonds had been sold, and when the directors responsible for the loan were probably no longer in office, if not actually dead. The interest on such bonds in all probability could not be disallowed, for the courts generally have protected holders after bonds have been issued. Local auditors cannot, therefore, be depended on to check the possible illegal borrowings of school districts.

---

[8] S. C. Article XXVI.

The second official agency now provided to check upon local districts is the county or the district superintendent.[9] The county superintendent must rely almost wholly upon the reports that are made through his office. But these reports are made after the debt is contracted, and at best are too meager to reveal much of the local district policy. Further, the rush of these reports in the few weeks of summer makes an effective check of even a detailed report impossible. The district superintendent, if there is one, is better able to check upon the legality of the debt policy of his district, because of his close knowledge of the district. But the superintendents, both county and district, are commissioned and directed by law merely to call to the attention of districts violations of law as regards sanitation, courses of study, qualifications of teachers, etc. The fact that among the 162 districts studied in the twelve selected counties there were nine third-class and one second-class districts having district superintendents in which the law respecting borrowing was shown to be violated indicates that the superintendent cannot be depended on to check school districts in this respect.

At present the only real check upon school districts in borrowing is unofficial. Bond houses and other experienced bond buyers require assurance before bidding for or buying bonds that they are issued strictly in accordance with the law. This they do for self-protection. Unless furnished with a certificate from a reputable bond attorney that all necessary legal steps have been taken, such buyers will examine into the legality of proceedings themselves. But such examination now proceeds only so far as the issue of bonds, and does not check up afterward to see if the promises made in the bonds are actually carried out. It is not possible to tell from the published reports how far districts are providing the funds needed to redeem bonds as they fall due. Of the 162 districts shown in Table XVII, 81 reported sinking fund balances and 35 others show the payment of bonds out of current funds. While in the other 46 districts of this group there may have been no bonds falling due in 1921–22,

[9] S. C. Article XI.

one has a suspicion that in many of these districts, as well as elsewhere over the State, there is failure to provide the necessary funds as bonds fall due.

The importance of the problem is shown by the following extract from the report of the Municipal Securities Committee of the Investment Bankers' Association of America at its convention in 1922:

Sinking Funds—The very important question of the creation and maintenance of proper sinking funds by municipalities has had considerable attention. There appears to be a growing sentiment that serial bonds are a more economical method of financing than long-term issues with sinking funds, as evidenced by the present New Jersey law requiring serial payments in all new issues. Many State constitutions and laws require the creation of a sinking fund sufficient to pay bonds at maturity, while in other places the municipalities have undertaken similar obligations. Municipal officers as a general rule take this responsibility seriously, but there have been enough scattered exceptions so as to warrant emphasis upon this point. A number of instances have been brought to our attention where the municipality has not felt it necessary to levy and collect taxes sufficient to cover such sinking funds in accordance with the contract under which the bonds were issued and in certain cases sinking funds have been totally ignored from the beginning, so that when bonds mature the only recourse is the levying of a prohibitive tax in a single year, or a refunding operation, which passes on the debt to another generation. The knowledge that such exceptional situations have arisen, has resulted in very large purchasers of municipal securities, principally insurance companies, announcing their intention of purchasing no further issues of municipal securities, where investigation shows that there exists at the present time any failure to maintain sinking funds at their proper standing.[10]

The committee advocated periodical inquiry by bond houses to determine if sinking fund obligations are being met or ignored. It advocated also the listing of delinquent municipalities or districts for the information of association members, so as to "discipline" delinquents by refusing to buy or by offering to buy only at higher rates. Municipal bonds have been regarded as a high-class investment because of their security, in spite of

[10] Investment Bankers' Association of America, Proceedings of 1922, p. 68.

the fact that there was frequently little or no provision made for meeting the bonds at maturity. But the real security of municipal bonds lies in the tax power behind them, and the insistence by the courts that, whenever necessary to protect bondholders, maturing debts should have prior claim to tax revenues, even above the claims of current expenses.[11] Loose financing by school districts and other municipalities will in the long run lessen the value of their securities and add to the cost of financing debts. But as a matter of fact, supervision as proposed in the report of this committee extends to larger municipalities and school districts whose proposed bond issues are large enough to attract bond houses. Districts that sell their bonds "over the counter" are without even this check.

Such a check should be furnished by a duly constituted official authority. This authority should be centralized in the Department of Public Instruction under the State Council of Education. There should be required of school districts annual reports in such form and detail as to indebtedness and sinking funds as to exhibit clearly what is being done by local districts as to incurrence and cancellation of debts, and will reveal how near the danger line of illegal or unwise debts districts are placing themselves. There should be given to the State Council the power to approve or to disapprove bond issues, and the present somewhat meaningless gesture of filing a statement with the court of common pleas should be abandoned. Much of this work, so far as the Council is concerned, can be reduced to routine, but debts beyond a reasonable percentage of the assessed valuation, a percentage to be determined by the Council, and all issues for refunding maturing bonds should receive the study of the Council before they can be approved, in order to place upon the district the burden of justifying all such issues. Supplementing this there should be occasional inspection by an agent of the Council of the records of school districts to see if promise and performance in the matter of debt policies really tie together. This sort of inspection is now being made by the Attendance

[11] For the situation in Ohio see Atkinson, R. C.: in *National Municipal Review*, December, 1920, p. 772.

Bureau of the Department of Public Instruction in the field of reports that are made to it, as well as by the State Workman's Insurance Board in those districts that carry their insurance in the State Fund.

The Council of Education can also render a service in some form of guidance for districts where a wise debt policy may lead to the erection of buildings that may be sorely needed. It has been shown that the fourth-class districts carry little or none of the state school debt. These districts, largely rural, have inadequate or unsatisfactory buildings in many cases, and delay to replace them because of the immediate cost of a "pay as you build" policy. Wise guidance of such districts in the formulation and pursuance of a debt policy will be a good service from the State office.

The need of supervision and guidance by the State office is emphasized by the growing popularity of a plan of financing school buildings that has many dangers. In some cases the destruction by fire of buildings in districts that are already bonded almost or quite to the legal limit and where the tax rate is probably already very high, has precipitated a building emergency. Some districts have met the emergency in this way: Several public-spirited citizens of good financial standing in the community form a "holding company," which upon its own responsibility erects the needed school building and finances it by the proceeds of a bond issue sold largely in the local market. The school district then "rents" this building from the "holding company," paying as "rental" a sum sufficient to cancel the bond issue in whatever time may be fixed and to pay all expense connected therewith. Title to the property does not pass to the school district until the debt is fully amortized. This is popularly known as the "Troy Plan," from having first been used in Troy, Pa.

The plan is ingenious, but in the judgment of the writer is very dangerous and of questionable constitutionality.[12] On its face it is a plain evasion of the law which places a definite limit

[12] The plan was approved in 1923 by the legal advisor of the Department of Public Instruction; but in 1925, the Attorney General's Department advised against it.

upon the obligation which a school district may assume and upon the degree to which it may burden its financial resources. Altering the name does not alter the essential character of such a debt: the fact remains that the only source from which funds are secured to amortize the debt is public taxation, and, though only implied, the debt is in fact if not in law an obligation against the resources of the school district. The district must enter into a definite contract to pay the entire cost of the building plus interest on the bonds within a stipulated time by annual instalments called "rental." Such an arrangement constitutes a definite obligation by whatever name it may be called. If such a contract is not entered into by the school district, there is no obligation to pay future instalments; and the "arrangement," whatever it is, may be repudiated at any future time by the then existing board. In this contingency the "holding company" has no protection, and their bonds have little or no value The validity of previous payments may even be questioned, and within the statute of limitations, the directors responsible for them may be surcharged. The strictness with which the courts of Pennsylvania have construed the powers and limitations of school boards, as was shown in Chapter II, emphasizes the risk that school directors run in following any plan that does not have specific warrant in law.

Furthermore, under the general law and practice, the bonds of a private corporation as the "holding company" need not be limited to the period of thirty years as must the bonds of public corporations; a fact which makes it possible for a school district to spread a debt over a period in excess of that definitely set by the Constitution of the State. Moreover, the power of a school board to rent school property is only implied in the provision of Section 602 of the School Code, by which "the board of school directors of each district is hereby vested with the necessary power and authority to acquire in the name of the district by purchase, lease, gift, devise, agreement, condemnation, or otherwise, any or all such real estate" as shall be needed to carry out the mandate of Section 601 that they "provide the necessary grounds and suitable school buildings to accommodate all the children between the ages of six and twenty-one years, in such

district, who attend school." School districts are constituted bodies corporate (Section 119) with the necessary powers to carry out the provisions of the law, and are given specific power to levy and collect the taxes needed for carrying out the mandate of the law (Section 402). Unfortunately, the principal cause of financial constriction of school districts is the low property assessment over which directors have no control. But if the limits imposed in the law upon this tax power are too narrow, the remedy should lie, not in evasion, but in legislation.

Soon or late the matter must come before the courts of the State,[13] and authoritative decisions will be made upon its legality. At present it should be used with extreme caution by boards and citizens alike, for the security of bonds issued under this plan unquestionably is very slight. While it is no doubt proving a boon to some harassed districts, relief should be sought through the regular channels of legislation rather than over the thin ice of financial artifice. The State Council of Education might well direct its attention to the problem o formulating and recommending the legislation that may make such financial wizardry unnecessary, even to the extent of extending building aid of some kind to financially bark-bound districts.

Inspection and guidance of debt policies is properly a function of the State Council of Education. As shown in Chapter II, the local district is but the agent of the State for education. In the matter of indebtedness, therefore, it is reasonable to regard the local district debt as part of the State school debt. It is significant that in the Constitution of the State Sections 8 and 10 of Article II, which governs indebtedness, apply to counties, cities, boroughs, townships, and school districts; but Section 9, which forbids the State to assume the debts of minor civil divisions, except when such debts have been incurred for State purposes, names the other civil divisions, *but does not name school districts.* From this the conclusion seems warranted that the school debt is really a State debt, and as such

[13] As this volume goes to press, the Court of Common Pleas of Tioga County has been asked by the school district oi Mansfield to pass upon the legality of a contract entered into on the basis of the Troy plan. This request was made under the provisions of the Declaratorp Judgement Act of June 18, 1923 (P.L. 840). The Court has not yet rendered decision.

should receive State supervision. While at present there is in Pennsylvania a reaction from the recent tendency toward centralization in State government, such centralization as is here proposed will be to the advantage of school districts because it will enhance the security and value of school bonds, and will lessen the cost of school loans.

3. *Removal of Debt from Taxation Limits*

There remains to be discussed one more problem, that of the effect of tax limitations upon bonded indebtedness. As a matter of principle, when there is a limit, as there is in Pennsylvania, upon the aggregate of debt which a district may assume, it seems superfluous to place a limit upon the amount of taxes which a district may levy to pay this indebtedness. Even more, it may be unsound and immoral as a business policy. Fraser Brown says in this connection, "The object of a tax limit applicable to municipalities is sufficiently provided for by a limit upon the amount of bonds that may be issued. No limit should be placed upon the power of a municipal debtor to pay its debts. A tax limit that applies to municipal bonds affects municipal credit injuriously and tends to make the bonds unmarketable."[14]

As pointed out in Chapter II, first-class districts were freed from such restrictions in 1919, and for them there is now no limit upon the amounts that they may raise by taxation for the payment of debts. In the second- and third-class districts, the removal of the limit upon the amounts that may be raised for teachers' salaries, and the continuance of the old limits for other current expenses, for debt service, for capital outlay, etc., serve practically to remove the limits upon taxes for debt service in these districts. Still in principle there is a limit beyond which these districts may not tax themselves, even if willing, to pay their debts. The statement is still more true of fourth-class districts, because the limits of all taxation for these districts was set at thirty-five mills.

---

[14] Brown: "Municipal Bonds," p. 41.

If there is danger of unsoundness in taxation to pay debts, the element of instability entered at the time of contracting the debts, and effective supervision and guidance by a State authority could have prevented this situation at the beginning. Having contracted a debt, a district should not be hampered in paying it within the limit of its ability. Hence it seems wise to suggest that debt service be removed from the limitations of the tax rate for all districts as has already been done for districts of the first class.

CHAPTER VII

Conclusions and Recommendations

This study has justified the following conclusions with reference to the public school bonded debt of Pennsylvania:

1. While education is primarily a State function, local districts in this State have always been entrusted, as agents of the State, with wide latitude in local educational policies. Construction and cost of school buildings have been left for determination wholly to school districts. While the taxing power through most of the history of the State system has been closely restricted, wide tax freedom is now given to local districts, so that possible income from this source has been greatly increased.

2. In the early history of the State school system, the policy of local districts in financing school construction was distinctly a "pay as you build" policy; that is, capital outlays were covered from current tax income. Up to about 1850 the State encouraged such a policy by several special subsidies. The provision for a special building tax, which continued in the law from 1854 to 1911, implied that for a period centering about 1854 this was the preferred policy of the State. Even as late as 1903 the State Department of Public Instruction emphasized this as the best policy.

3. Outlays for buildings increased after the close of the Civil War for a short period; and then rose after 1880, and very rapidly after 1904, until the World War retarded building of schools.

4. These increasing outlays have more and more been financed by borrowing, and there is evident in legislation and in such statistics as are available in published form a gradual change from a "pay as you build" policy to a "bond as you build" policy. The law of 1854, which for the first time in general school law provided for borrowing, made a modest beginning by allowing debts only to one-half of one per cent of the assessed valuation of real property. It was soon found neces-

sary, however, to extend these limits by special acts for many districts; and in 1871, the courts of common pleas were empowered to authorize loans for school districts up to five per cent of the assessed valuation. Finally the Constitution set the present limits of indebtedness at two per cent of the assessed valuation without the assent of the electors, and seven per cent with such assent. School districts have no control over assessed valuations upon which the tax income is based, but must use the assessments as made for city and county purposes. Because of low valuations in many cases the constitutional limitations seriously constrict the financial policies of school districts. The statutes have been changed from time to time with reference to providing funds to redeem debts when due, but in general they have been definite and apparently adequate. Nevertheless, there has been found necessary legislation to permit refunding of maturing bonds, although such refunding has been closely restricted. Temporary indebtedness under the present law is closely restricted, but in 1921 it was found necessary to waive these restrictions and to allow temporary debts to be funded. In general the course of legislation has been toward making it easier to incur debts and to procrastinate in paying them.

5. While prior to the fiscal year 1919–20 it is not possible to give exact figures to show the growth of the debt, the income of school districts accountable only by loans and bond sales shows a growth since 1880 which became particularly rapid about 1893. In 1854 the total school bonded debt could not have exceeded $100,000, and probably was much less. One is led to believe from the available data that the debt began to rise after the Civil War, and has been increasing very rapidly in the last twenty-five or thirty years. One would expect, therefore, that the more detailed and specific reports for the years since 1920 would show that the debt had reached a high figure.

6. The actual total of school bonded indebtedness at the close of the fiscal year 1919–20 is given by the reports as $79,641,096. Against this should be written off sinking fund balances that total $8,641,917, leaving a net bonded debt of $70,999,179. At the close of the fiscal year 1922–23, the total in bonds outstanding was $121,428,199, with sinking fund bal-

ances of $11,627,033, leaving a net bonded debt at the close of that year of $109,801,166. This is an increase from 1919–20 of $38,801,987, or nearly 55 per cent. The State reports for four years show that the net school bonded debt is increasing more rapidly than the total population, the assessed valuation of property and the average daily attendance of pupils.

7. Almost all of this debt was originally incurred for capital outlays. Some of it represents such original debts refunded, and a small part represents funded temporary debts as authorized by the Act of May 20, 1921. How much of the present debt belongs to these latter classes it is not possible from the published reports to determine.

8. The debt is not spread evenly over the State as a whole. When all the districts, without regard to classification, are grouped by counties, and the counties are ranked on the basis of per capita net debt, per pupil net debt, and the ratio of the net debt to the assessed valuation, wide variations are found in all three criteria. In general the populous and growing counties rank high and the sparsely settled counties and the counties that are decreasing in population rank low. There is evident a geographical concentration of the debt in the eastern and western thirds of the State, although the northern tier counties, with the exception of Erie, are in the lower half of the per capita and per pupil lists, and all but Erie and Bradford in the lower half of the ratio list.

9. The concentration is still more marked with reference to the classification of districts. Districts of the first, second and third classes, together representing about 10 per cent of all the districts and 65 per cent of the population of the State, are chargeable with nearly 80 per cent of the school bonded debt for the school years 1919–20 to 1922–23 inclusive, and the fourth-class districts with about 20 per cent. Even within each class of districts there is concentration in two respects: first, while all the first- and second-class districts report a bonded debt, 90 per cent of the third-class districts and only 30 per cent of the fourth-class districts report a bonded debt; and second, among districts that report such debt there are wide variations.

10. The reports for districts of twelve selected counties, so

chosen as to be fairly typical, show that it is the cities and boroughs that carry the major portion of the debt of public schools. Among 162 districts in these counties reporting indebtedness the ratio of net debt to assessed valuation varies from less than nothing to .0813, with a median of .0218; and the net debt per pupil in average daily attendance varies from less than nothing to $805.03, with a median of $57.59.

11. The study of reports of districts within these selected counties shows four that reported a bonded debt in excess of the constitutional and legal limits, and 65 of the total of 162 that reported temporary indebtedness although the ratio of net bonded debt to assessed valuation is such as to make such debts illegal. Moreover, there were nine districts in these counties that reported a total of temporary and bonded debt in excess of the constitutional and legal maximum. The probability is that the same condition can be found in other counties over the State.

12. The variations in per pupil net bonded debt and in the ratio of such debt to the assessed valuation reveal the lack of a uniform policy among the school districts of the State as regards indebtedness; and the fact that so many districts have debts beyond the legal limits suggests the need of both supervision and guidance, both to determine a wise policy in light of the needs and the ability of each district, and to insure that the laws governing borrowing shall be complied with.

In view of these facts and conclusions, there appears to be warrant for the following recommendations as to the policy of the State of Pennsylvania:

1. The Department of Public Instruction should revise the form for the annual district report so as to secure information as to the actual indebtedness and debt policies of school districts. These reports should be studied to determine if districts have incurred indebtedness in violation of the law; and if such districts are found, measures should be taken to have the debt reduced until it is within the legal limits.

2. The Superintendent of Public Instruction should be given specific power by law to withhold from school districts part or all of their respective shares of the State appropriation for per-

sistent violations of the laws that govern the incurrence and cancellation of debts, as he may now do for violations of the laws governing sanitation and safety arrangements of sites and buildings, qualifications of teachers and enforcement of the compulsory attendance laws. The liability of directors for such loss of appropriations would follow from the principle set forth in Chapter II.

3. The State Council of Education should be empowered by law to pass upon applications of school districts for incurrence and increase of indebtedness, and such indebtedness should not be legal until approved by the Council. To incur or to increase indebtedness beyond a certain safety per centum of the assessed valuation to be determined by the Council, or to refund any maturing indebtedness, should before approval receive the study of the Council in formal hearing so as to place upon the school district the burden of justifying the proposed indebtedness.

4. The State Council should further be empowered to inspect through its agents the records of school districts to determine if promise and performance in the matter of indebtedness tie together. If it is found that any district is failing to provide funds for the ultimate cancellation of debts as required by law, such district, after reasonable warning, should forfeit all or part of its share of the State appropriation.

5. The State Council should formulate plans for the guidance of school districts in the formulation of sound debt policies, so that where it may prove wise districts may be stimulated to provide needed buildings and to finance them by bond issues; or where districts are found to be following unwise policies, they may be led to adopt wiser and sounder methods. Such guidance may be given in the form of bulletins, or by the establishment of a special division within the Bureau of Administration where advice may be sought, or both.

6. Some form of emergency aid should be provided by the State for districts where the present constitutional and legal limitations prevent them from financing buildings that are necessary for the effective education of the children.

7. In order to remedy the present indefinite provision for providing annually the funds that may ultimately be needed for

the retirement of bonds, the law should be amended so as to make some form of serial bond standard for the State, and should require a definite annual tax in terms of the size of the debt sufficient to pay the interest on the bonds, taxes on bonds when paid by the district, and the principal of bonds as they mature.

8. The power to tax for the payment of indebtedness and its costs should be made unlimited in second-, third- and fourth-class districts as it now is in the first-class districts.

9. School districts should be encouraged to follow a policy of paying for buildings as rapidly as they are needed. For first-class districts this will involve a close approximation to a "pay as you build" policy. For other classes of districts the buildings will need to be financed by bond issues spread over varying periods of years according to the frequency of building needs.

10. Districts should be required to comply strictly with the law limiting the purposes of bonded debt to capital outlays.

11. A close watch should be kept by the Department of Public Instruction so as to require school districts that have a bonded debt beyond 2 per cent of the assessed valuation to refrain from contracting temporary indebtedness in violation of the law.

BIBLIOGRAPHY

NOTE—There is a great profusion of periodical literature on the subject of municipal bonding which applies with almost equal pertinency to school district bonding. In the following list, however, only the most important for the purposes of this study, or those that have been referred to or quoted, are included. The same is true of the wealth of pamphlet and book literature that is available.

Adams, H. C.: "Public Debts," Appleton, New York, 1890.

Alexander, C.: "Bibliography on Educational Finance," The Educational Finance Inquiry Report, Vol. IV, Macmillan, 1924.

Anderson, H. W.: "School Bonds," *American School Board Journal*, July, 1919, p. 37.

Bashore, C. C.: "Pennsylvania Common School Law," Carlisle, 1906. An invaluable digest of the existing school law just prior to the codification in 1911, with citations of important court decisions.

Brown, Fraser: "Municipal Bonds," Prentice-Hall, New York, 1922.

Bureau of Education: "Statistics of State School Systems, 1921–22," Bulletin 1924, No. 31; Washington, D. C.

Chamberlain, L.: "Principles of Bond Investment," Holt, New York, 1911.

Chapman, R. M.: "Serial Bonds versus Sinking Fund Bonds," *American City*, March, 1917, pp. 276–278.

Clark, E.: "Growth of American Cities and their Indebtedness for Schools," *Elementary School Journal*, January, 1918, pp. 277–281.

Clark, F. E.: "Purposes of the Indebtedness of American Cities, 1880–1912," Bureau of Munic. Research, New York, 1917.

Cleveland, F. A.: "Funds and their Uses," Appleton, New York, 1910.

Commission on Constitutional Amendment and Revision (Pennsylvania): "Journal of Proceedings," Harrisburg, 1920.

Cubberley, E. P.: "Public School Administration," Houghton Mifflin Co., Boston, 1916.

* * * * "State and County Educational Reorganization," Macmillan, New York, 1914.

Department of Public Instruction, (Penna.): "Annual Statistical Report of the State Superintendent," 1921–22, Harrisburg.

* * * * "Statistics of Public Schools," 1919–20; 1920–21, Harrisburg.

Dillon, J. F.: "Commentaries on the Law of Municipal Corporations," Little, Brown & Co., Boston, 1911.

Chapter II in Vol. I treats of the character of the school district as a type of municipal corporation; Chapter VI of the restrictions on the power incur debt; and Chaper XX in Vol. II treats of "Municipal Bonds and cites several Pennsylvania court decisions of importance.

Dodds, H. W.: "Better Methods of Municipal Bonding," Annals of the American Academy, May, 1921, pp. 259–263.

Dodge, W.: "Direct Taxes versus Bond Issues," *American City*, August, 1921, p. 155.

Ely, R. T.: "Outlines of Economics," Macmillan, New York, 1908.

"Financial Statistics of Cities Having a Population of 30,000 or over, 1922," Census Bureau, Washington, 1924.

Finegan, T. E.: "Functions of the State in Local Administration," N. E. A. Proceedings, 1916, p. 348.

Fowlkes, J. G.: "School Bonds," Bruce, Milwaukee, 1924.

Gettemy, C. F.: "New Massachusetts Legislation Regulating Municipal Indebtedness," *Nat. Munic. Rev.*, October, 1914, pp. 682–692.

Goodnow, F. J. and Bates, F. G.: "Municipal Government," Century, New York, 1919.

Hanford, W. C.: "Elements of a Successful Bond Issue," *American City*, December, 1913, pp. 543–544.

Investment Bankers' Association of America, Convention Proceedings, 1922, p. 68.

Loeffler, H. G.: "Municipal Tax Limits and Economy," *Nat. Munic. Rev.*, September, 1921, pp. 475–480.

McElhannon, J. C.: Judicial Interpretations of Laws Relating to School Bonds," *Elementary School Journal*, November, 1922, pp. 215–226.

McKinney, W. M. and Rich, B. A.: "Ruling Case Law as Developed and Established by the Decisions and Annotations Contained in Lawyers' Reports, Annotated American Decisions, American Reports, Etc.," Rochester, N. Y., 1914. (Supplement issued, 1922.)

National Tax Association: "Municipal Accounting and Debt Administration" Bulletin No. 3, May, 1918, pp. 203–206.

New Jersey: "Act to Authorize and Regulate the Issuance of Bonds and other Obligations, and the incurrence of indebtedness by county, city, borough, village, town or township, or any municipality governed by an improvement commission," Chapter 252, P. L. 1916, amended by Chapter 240, P. L. 1917. Issued by Commissioner of Municipal Accounts.

North Carolina: "Act providing for Bond issues and general financing of municipalities," Chapter 138, P. L. 1917.

Pennsylvania State Manual, 1923–24 (formerly "Smull's Legislative Handbook,"), Harrisburg, 1925.

Powers, L. C.: "Serial Loans versus Long Term Bonds," *American School Board Journal*, July, 1916, p. 19.

Purdy, L.: "Serial Bonds," *Nat. Munic. Rev.*, January, 1916, p. 13.

Reed, R. R.: "Handicaps to Legal Bond Issues," *American City*, January, 1915, pp. 11–14.

Rightor, C. E.: "Comparative Bonded Debt of 32 Cities as of January 1, 1922," *American City*, September, 1922, pp. 226–27.

Superintendent of Public Instruction: "School Laws and Decisions," Harrisburg, 1903.

School Code of Pennsylvania, Revised edition issued biennially up to and including 1923. For 1925, a pamphlet giving a digest of the last revisions has been issued.

Seligman, E. R. A.: "Essays in Taxation," Macmillan, 1921.

Shanks, S. J.: "Municipal Bond Situation," *American City*, April to July, 1923.

* * * * "Selling Municipal Bond Issues in 1916," *American City*, March, 1916, p. 234.

Snedden, D.: "Problems of Educational Readjustment," Houghton, Mifflin Co., Boston, 1913.

Trusler, H.: "Issuance of School Bonds," *American School Board Journal*, June, 1919, p. 58.

Updegraff, H. and King, L. A.: "A Survey of the Fiscal Policies of the State of Pennsylvania in the Field of Education, A Report to the Citizens' Committee on the Finances of Pennsylvania to Hon. Gifford Pinchot," 1922.

Wickersham, J. P.: "A History of Education in Pennsylvania," Lancaster, 1886.

Willett, G. W.: "The Public School Debt of Illinois," The Educational Finance Inquiry Report, Vol. XI, Macmillan, 1924.

INDEX

(*a*) ACTS OF ASSEMBLY CITED

April 4, 1809 (Statutes at Large, Vol. XVIII, p. 1171), 12, 16, 33.
March 31, 1812 (Boil. 218), 34.
March 3, 1818 (P. L. 124), 34.
March 27, 1821 (P. L. 131), 34
March 31, 1821 (P. L. 181), 34.
April 11, 1827 (P. L. 216), 34.
Feb. 19, 1828 (P. L. 105), 34.
April 1, 1834 (P. L. 170), 12, 17, 25, 27, 35.
April 15, 1835 (P. L. 365), 17.
June 13, 1836 (P. L. 525), 13, 17, 25, 26, 27, 35
Feb. 27, 1837 (P. L. 405), 35,
March 12, 1841 (P. L. 372), 39.
March 19, 1841 (P. L. 89), 40.
July 30, 1842 (P. L. 449), 25,
April 22, 1844 (P. L. 327), 17.
April 17, 1846 (P. L. 372), 40.
March 8, 1847 (P. L. 263), 40.
April 10, 1848 (P. L. 444), 13, 40.
April 11, 1848 (P. L. 520), 36.
March 12, 1849 (P. L. 148), 40.
April 7, 1849 (P. L. 441), 13, 17 27, 36.
March 4, 1850 (P. L. 128), 27.
April 9, 1850 (P. L. 425), 27.
May 4, 1852 (P. L. 567), 36.
April 18, 1853 (P. L. 547), 40.
May 20, 1853 (P. L. 683), 41.
Feb. 27, 1854 (P. L. 123), 41.
May 8, 1854 (P. L. 619), 12, 17, 25, 26, 27, 36, 41.
April 5, 1862 (P. L. 251), 44.
April 1, 1863 (P. L. 253), 42.
March 25, 1864 (P. L. 85), 44.
March 16, 1866 (P. L. 221), 38.
March 21, 1866 (P. L. 252), 38.
April 15, 1867 (P. L. 1250), 17.
April 1, 1868 (P. L. 559), 38.
April 1, 1868 (P. L. 598), 45.
April 9, 1869 (P. L. 790), 27.
March 28, 1870 (P. L. 565), 44.
April 2, 1871 (P. L. 241), 42.
May 2, 1871 (P. L. 511), 45.
April 3, 1872 (P. L. 785), 42.
April 20, 1874 (P. L. 65), 46, 47.
April 17, 1876 (P. L. 38), 17.
May 18, 1876 (P. L. 128), 47.
April 14, 1881 (P. L. 10), 47.
May 10, 1881 (P. L. 16), 47.
May 26, 1893 (P. L. 146), 13.
April 18, 1895 (P. L. 36), 46.
May 29, 1897 (P. L. 97), 37.
March 11, 1899 (P. L. 6), 47.
April 4, 1899 (P. L. 31), 28.
April 9, 1903 (P. L. 162), 28.
June 4, 1915 (P. L. 844), 49.
June 5, 1915 (P. L. 846), 50.
May 20, 1921 (P. L. 954), 50.
June 18, 1923 (P. L. 840), 110.

The following articles and sections of the School Code have been cited:

Art. I, 16.
Art. II, 19.
Art. I, Sec. 119, 25, 110.
Art. IV, Secs. 401, 402, 110.
Art. V, Sec. 502, 28.
Secs. 506–508, 48, 51, 103.
Sec. 524, 25, 29.
Secs. 525–543, 26.
Sec. 537, 29.
Art. VI, Sec. 602, 109.
Art. XI, 105.
Art. XII, Sec. 1210, 29.
Art. XVI, 28.
Art. XXII, Sec. 2223, 19.
Art. XXVI, 104.
Art. XXX, Sec. 3006, 55.

(*b*) CASES CITED

Board of Education vs. Ransley, 209 Pa. 51 (1904), 23.
Cascade S. D. vs. Lewis S. D., 43 Pa. 318 (1862), 22, 24.
Chalfant vs. Edwards *et al.*, 173 Pa. 247 (1896), 24.
Conner's Appeal, 103 Pa. 356 (1883), 37.
Conyngham School District's Appeal, 77 Pa. 265 (1874), 36.
DeVere Ford vs. Kendall S. D.,121 Pa. 543 (1888), 23.
German Twp. S. D. vs. Sangston, 74 Pa. 454 (1873), 37.
Gilbert *et al.* vs. Tierney, 14 Pa. C. C. 472 (1894), 37.
Hanover Township Audit, 265 Pa. 157 (1919), 24.
Long vs. Cheltenham Twp. S. D. appel., 269 Pa. 472 (1921), 51.
Milford Twp. S. D. vs. Speicher, 61 Pa. Super. Ct. 356 (1916), 23–24.
Walker vs. Edwards, 197 Pa. 645 (1901), 36, 37.

(c) GENERAL INDEX

Agency power of school districts, 21ff, 110.
Amendments to Constitution, 50.
Appropriations for schools, 35, 63, 65.
Assessed Valuations, *see* Valuations.
Assessors, duties of, 26.
Auditors, function of, 104.
Autonomy of local districts, 16.

"Bond as you build" policy, 52, 69.
Bonded school debt, 10, distribution of, 70ff, 1919–1923, 69–100.
Bondholders, protection of, 104, 107.
Bond houses, examination by, 105, 107.
Bond issues, supervision of, 107.
Bonds, payments on, 78.
Bonds, refunding of, 45, 46f, 49, 106.
Bonds, validity of, 24, 97.
Borrowing capacity, 50f.
Borrowing, earliest, 39; first authorization in general law, 41; increase of, 67f; legislation for before 1874, 39–45; 1874–1911, 45–48; 1911 to date, 48–52; place of, 101; Special acts for, 41f.
Bounties, borrowing for, 44.
Bristol, 40.
Brown, Fraser, 103, 111.
Brown, Justice, 23.
Buildings, school, early plans for financing, 34ff; loans for, 41; State aid for, 35; 110.
Building tax, 27, 28, 36ff, 41, 53, 56, 61f.
Bureau of Education school debt, 9; "Statistics of State School Systems, 1921–22," 73ff.

Capital outlays: debt limited to, 100; financing of, 56ff, 61ff; funds to be used for, 41, 43f; legal provisions for, 33; relation to debt in Penna., 12; statistical study of, 55–68; total for 1919–1923, 77; trend of 1857–1920, 59ff.
Census, estimates of population, 71, 79.
Centralization, 20, 110.
Certificates of indebtedness, 11, 49.
Chicago with "pay as you build" policy, 101.
Classification of school districts, 18 19.
"Commercial and Financial Chronicle," 12.
Concentration of debt, 77, 98.
Conclusions of the study, 113–116.
Consent of electors for loans, 46, 51.
Constitution: limitations upon indebtedness, 45f, 103; on education, 22; on special legislaton, 11; proposed revisions affecting debt, 52.
Constitution of 1776, 22.
Constitution of 1790, 22.
Constitutional amendments, 50.
Constitutional Revision Commission, 101.
Controllers, auditing by, 104.
Corporate powers of school districts, 25.
Counties, debt by, 78ff; debt in twelve selected, 86–97.
County unit, 16, 17, 26, 79.
Court of Common Pleas, power to sanction loans, 42, 44, 53, 67, 107.
Courts, protection of bondholders, 104, 107.
Cubberley, E. P., 9, 20, 22.
Current expenses, financing by borrowing, 50, 100.

Debt service, statistical study of, 55–68.
Department of Public Instruction, 18, 51, 55, 63f, 69, 107, 116, 117.
Directors, liability of, 22f, 31, 117.

Ely, Richard, 100.
Extra-legal acts of school districts, 24.

Finegan, T. E., 21.
First-class school districts; indebtedness in, 76f; limit of temporary debt in, 50; organization of board, 18; superintendent, 18; tax rates, 28.
Fourth-class school districts: indebtedness, 76f; limit of temporary debt 50; organization of board, 18; tax limits, 29.
Fowlkes, Guy, 10, 12.
Funding of temporary debts, 50, 100.

Geographical distribution of debt 85–87.
Goodnow, F. J., 20.
Growth of indebtedness, 9.
Guidance of school districts, 108.

"Holding company," 108, 109.
Harrisburg, refunding of bonds, 45.

Illegal acts of school districts, 24.

Illinois, public school debt of, 71, 73.
Income of school districts, 63–65.
Increase of school indebtedness, 77.
Indebtedness of schools: amount before 1854, 40; for 1919–1923, 69–100; concentration of, 77,98; definition of, 47; distribution of, 75; early debt, 39; excessive debt, 96; first authorized in general law, 41; growth of, 9, 77; limitations upon, 26, 45f, 103.
Indebtedness, municipal, 9.
Indebtedness of State school systems, 73ff.
Indebtedness, temporary, *see* temporary indebtedness.
Independence of school districts, 25.
Independent school districts, 16.
Investment Bankers' Association, 106.

Johnson, Judge, on power of school boards to borrow, 51.

Lancaster, borrowing by, 39.
Lancasterian plan, 34.
Legal provisions for capital outlays, 33ff.
Legislature, function of in education, 22.
Liability of directors, 24ff, 104, 117.
Limits of taxation, 26f.
Loans and bond sales, receipts from, 65ff.
Local administration, function of State in, 21f.

Massachusetts, 103.
McKinney and Rich, 21.
Minimum salaries, effect on tax rates, 29.
Municipal indebtedness, 9.
Municipalities, school districts not true m., 21, 51.
Municipal Securities Committee, 106.

New Brighton, 40.
New Jersey, 103, 106.
North Carolina, 103.

Ohio, 107.
Oklahoma, Supreme Ct. decision, 22.

"Pauper law" of 1809, 16.
"Pay as you build" policy, 33ff, 41, 52, 66, 101, 108.
Payments on bonds, 78, 102.
Per capita tax, 29, 85, 38.
Per pupil debt, 85.
Philadelphia, 11, 18, 34, 50, 102.
Pittsburgh, 11, 18, 34, 101.
Poor, education of, 17, 25, 33, 34.
Public Instruction, *see* Department of Public Instruction.
"Public School Debt of Illinois" on growth of municipal debt, 9.

Range of per capita debt, 85.
Ratio of debt to valuation, 83f.
Recommendations, 14, 116–118.
Refunding of debts, 44f, 46f, 49, 106, 107.
Refunded bonds, time limits upon, 47.
Renting, 109.
"Robbing Peter to Pay Paul," 39.

Salaries of teachers, effect on taxation, 28.
St. Louis with "pay as you build" policy, 101.
School Districts: classification of, 18–19; corporate powers of, 25; definition of, 16ff; differences among, 18; income of, 63–65; increase of borrowing in, 67ff; independence of, 24; legal status of, 16ff; limitations upon, 21, 23f, 26; organization of, 19; relation to State, 20; tax power of, 24.
School Laws and Decisions (1903), 27, 36, 38.
Second-class school districts: indebtedness of, 76f; limit of temporary debt in, 50; organization of board in, 18; superintendent in, 18, 105; tax limits in, 29.
Serial bonds, 103, 106.
Sinking funds, 47, 105, 106, 107; payments from, 78f.
Snedden, D., 20.
Special legislation, constitution forbidding, 11.
Special loan acts, time limits on certain, 43.
State control of education, 20ff.
State Council of Education, 107, 108, 110, 117.
Statement of the School System since its Establishment under the Present Law, 55ff.
Summary of facts and laws, 13.
Superintendents, 16, 20, 105.
Supervision of debts, by State, 30, 103–111.
Superintendent of Public Instruction, right to withhold appropriations, 55.

Surcharging illegal payments, 23ff, 104, 109, 117.
Surplus revenue, distribution of, 35.

Tax limits, 24–30, 36; removal of debt from, 111.
Tax power, security of bonds in, 107.
Tax rates, progress of from 1857–1920, 61.
Tax required for indebtedness, 46.
Taxing power of school districts, 24, 26.
Temporary indebtedness: 11, 49, 100; funding of, 12, 50, 100; illegal, 96.
Term, effect of minimum term upon taxation, 28.
Third-class school districts: indebtedness, 76ff; limits of temporary debt, 50; organization of board in, 18; superintendent in, 18, 105; tax limits in, 29.
Tremont Township, 41.
Trend of indebtedness, 77, 98.
Troy Plan, The, 108–110.

Union County, 96.
Union school districts, 16.
Unit of administration, 16, 17.
Updegraff, H., 19.

Valuations: basis of State aid, 19; limitations upon borrowing power, 26, 41, 42, 51, 110; variations among districts, 18.

Wickersham, J. P., 22.
Wisconsin, 103.